

LEWISVILLE ISD

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED AUGUST 31, 2019



LEWISVILLE ISD | 1565 W. MAIN STREET | LEWISVILLE, TX 75067

**Comprehensive
Annual Financial Report**

**For the Fiscal Year Ended
August 31, 2019**

LEWISVILLE INDEPENDENT SCHOOL DISTRICT

1565A W. Main Street, Lewisville, Texas 75067

Prepared By the Division of Finance

**Michael Ball, CPA, MBA
Chief Financial Officer**

**Rosemary Trevino, MBA, RTSBA
Executive Director of Accounting**

LEWISVILLE INDEPENDENT SCHOOL DISTRICT

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REAL INNOVATION
LIMITLESS OPPORTUNITY
LEWISVILLE INDEPENDENT SCHOOL DISTRICT

INTRODUCTORY
SECTION



REAL INNOVATION
LIMITLESS OPPORTUNITY
LEWISVILLE INDEPENDENT SCHOOL DISTRICT

December 9, 2019

To the Board of Trustees and the Citizens of the Lewisville Independent School District:

The Texas Education Code requires that all school districts file a set of financial statements with the Texas Education Agency (TEA) within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. Pursuant to this requirement, we hereby issue the Comprehensive Annual Financial Report of the Lewisville Independent School District (the District) for the fiscal year ended August 31, 2019.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements of the District have been audited by Whitley Penn L.L.P., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended August 31, 2019, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the year ended August 31, 2019 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports may be found in the Federal Awards section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE DISTRICT

Lewisville ISD includes all the funds of the District, as well as any component units for which the District is financially accountable.

Lewisville ISD is an independent public educational agency operating under applicable laws and regulations of the State of Texas providing a full range of educational services appropriate to grade levels ranging from pre-kindergarten through grade twelve. LISD is located north of the Dallas/Fort Worth Metroplex. LISD encompasses 127 square miles and is made up of all, or part of, thirteen different communities: Lewisville, Flower Mound, The Colony, Highland Village, Double Oak, Copper Canyon, north Carrollton, western Plano, and portions of Frisco, Hebron, Coppell, Grapevine, and Argyle. The District is comprised of five high schools, three 9th grade campuses, two 9th-10th grade campuses, two career centers, one learning center, fifteen middle schools, forty elementary schools and one early childhood center. The majority were built within the past 20 years, keeping pace with rapid growth.

During the current fiscal year, the District served more than 52,200 enrolled students. Since the 2008-2009 school year, the District's student enrollment grew by over 2,180 students. The District's growth in student enrollment has begun to stabilize and slightly decline from the rapid growth experienced in the past.

The seven members of the Board of Trustees (Board) serve, without compensation, a three-year term in office. On a rotating basis, two or three places are filled during annual elections held the first Saturday in May. Vacancies may be filled by appointment until the next election. The Board has final control over local school matters limited only by the state legislature, by the courts, and by the will of the people as expressed in school Board elections. Board decisions are based on a majority vote of those present. In general, the Board adopts policies, sets direction for curriculum, employs the Superintendent, and oversees the operations of the District and its schools. Besides general Board business, Trustees are charged with numerous statutory regulations including calling trustee and other school elections and canvassing the results, organizing the Board, and electing its officers. The Board is also responsible for setting the tax rate, setting salary schedules, and acting as a board of appeals in personnel and student matters, confirming recommendations for textbook adoptions, and adopting and amending the annual budget.

EDUCATION

The District is a public school system whose mission recognizes that students, staff and community design and implement a learning organization that provides engaging, innovative experiences every day. Recognizing that the quality of life, both today and in the future, depends upon the quality of education provided by the public schools, the Lewisville Independent School District is dedicated to education and committed to meeting the needs of every individual. The District's vision is built on four cornerstones:

- **Student Learning**
 - Profound learning for students occurs when we provide meaningful and relevant educational opportunities.
 - In LISD, we are preparing the dreamers to be the doers by developing engaged, collaborative learners who are equipped for success.
- **Student Experience**
 - A thriving student experience comes from an environment that engages and connects students to each other and with staff.
 - In LISD, we know students thrive when they are engaged in their learning and feel a sense of belonging in our schools.
 - When students are provided enriching opportunities outside the classroom, they will find success not only in school but in their lives beyond our hallways.
- **Community Engagement**
 - We believe education is a shared responsibility between our district and the communities we serve.
 - Community engagement is critical to the success of LISD.
 - Through intentional strategic partnerships at the campus and district level, we can tap into the deep well of community support for LISD to forge stronger bonds with our stakeholders and develop relationships to benefit schools, local businesses and the community.
- **Resource Stewardship**
 - In LISD, when we say we want to be good stewards of our resources, we aren't just talking about taxpayer dollars.
 - Resource stewardship is about three things: our time, talent and treasure.
 - Strike a positive work/life balance with our time;
 - Nurture our talents as educators through meaningful professional learning;
 - Manage our treasure in a fiscally responsible way while still meeting student needs.

The District is dedicated to enriching education opportunities for our students and leading the way in classroom technology integrations. Utilizing groundbreaking, transformative and flexible learning environments through use of technology and initiative programs provides our students the tools to access, create and collaborate as thriving, 21st century digital citizens.

FINANCIAL POLICIES

Internal Controls. The management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of "reasonable assurance" recognizes that: (1) the cost of a control should not exceed the benefits likely

to be derived from its implementation; and (2) the valuation of cost and benefits requires estimates and judgments by management. Management believes the internal controls adequately meet the above objectives.

Budgetary Controls. In addition, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the Board of Trustees. Every school district in Texas is required, by law, to prepare and file a budget with the Texas Education Agency. Activities of the General Fund, Food Service Fund, and Debt Service Fund are included in the District's formally adopted budget. Budgets for Special Revenue funds (other than the Food Service Fund) and Capital Projects Fund are prepared on a project basis, based on grant regulations or applicable bond ordinances. Budgetary control (the level at which expenditures cannot legally exceed appropriations) is maintained at the functional category level within each fund. These functional categories are defined by the Texas Education Agency and identify the purpose of transactions. Oversight control of all expenditures is maintained at this level by the Accounting and Budget staff.

The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Outstanding encumbrances at the end of a fiscal year are rolled forward into the subsequent fiscal period with the budget amended accordingly. As demonstrated by the statements and schedules included in the financial section of this report, the District continues meeting its responsibility for sound financial management.

MAJOR INITIATIVES

Capital Projects. In May 2017, voters of the District approved a \$737.5 million bond referendum designed to finance the construction, acquisition and equipment of school buildings in the District and the purchase of the necessary sites for school buildings. In the fiscal year ended August 31, 2019, the District issued Unlimited Tax School Building Bonds, Series 2019, resulting in a \$125.0 million deposit to the Capital Projects Fund. The bond proceeds were issued for construction and renovation of school buildings and equipment and major technology upgrades throughout the District.

Debt Portfolio Management. During the fiscal year, the District called a portion of the previously issued Unlimited Tax Refunding bonds, Series 2011 for Redemption Prior to Maturity. These called bonds in the amount of \$5.555 million were redeemed prior to maturity. The District utilized funds from its Debt Service Fund balance for the purpose of this debt reduction. This redemption prior to maturity reduced future interest costs by \$1.233 million.

The District has issued its bonds on a relatively short repayment period of twenty years. District personnel continually work with the District's Financial Advisors to monitor the interest rate market and the outstanding debt portfolio for opportunities for interest savings.

Relevant Financial Policy. The Board recognizes the importance of maintaining sufficient fund balance to sustain the District through uncertain economic times. Acknowledging that the District's financial position is impacted greatly by the legislature's actions and the level of the state's available resources, the Board has been proactive in building the District's fund balances over time. In June, 2019, the Board adopted a resolution delegating to the Superintendent or his designee authority to assign fund balance in an amount equivalent to three months operating expenditures in the General Fund. The Resolution further established as the District's target optimum fund balance an amount equivalent to ten percent of the annual debt service required on bonds approved by the voters of the District as its minimum fund balance in the Debt Service Fund each year. Those parameters are designed to assure a strong financial position in the event of reductions in enrollment, tax revenues or other funding sources:

The District's fund balance at August 31, 2019 in both the General Fund and the Debt Service Fund exceed these parameters.

Long-term Financial Planning. The District has grown the fund balance to ensure that the needed resources are available to provide for the slight enrollment declines and unexpected situations. Projections assumed in budgeting for the subsequent fiscal year include:

- The Maintenance and Operations tax rate will be reduced to \$0.97 per \$100 valuation for the fiscal year ending August 31, 2020.
- The District is expected to be subject to recapture payments under Chapter 41 of the Texas Education Code for the fiscal year ending August 31, 2020 in the amount of \$18.6 million.
- The District has experienced growth in taxable property values of approximately 8.81 percent. This increase is expected to result in increased ad-valorem tax collections. Approximately 4.5 percent of ad-valorem tax collections is expected to be paid to the State in the form of recapture payments for the fiscal year ending August 31, 2020.
- Student enrollment growth and resulting average daily attendance are expected to decrease by less than one half percent.

ECONOMIC CONDITION AND OUTLOOK

The local economy in the District remains strong. New businesses continue to locate both in and near the District. The resulting economic activity has created strong property value growth. The diversity of the local businesses, the range of available housing, the transportation grid, and the proximity to Dallas-Fort Worth and Alliance airports continue to provide a strong climate for business growth within the District.

The taxable property value of the District's ten largest taxpayers accounts for only 2.8 percent of the taxable property value in the District. The top twenty largest taxpayers represent only 4.9 percent of the taxable value of the District. This indicates a significant diversification in the tax base. This lack of dependence on a single employer or business segment means that the loss of even a large business will not negatively impact the education of children or imperil the future payment of obligations by the District.

The District has elected to provide the "Freeport exemption" for qualifying businesses. It is believed that this will continue to be a positive economic factor for the District and will ensure that businesses needing the facilities of DFW and Alliance airports will consider and select Lewisville ISD for their new plants and their plant expansions.

The upgrading of the road system within the metroplex continues to be a plus for the District. A combination of interstate highways, state highways, and toll roads ensures that residents can easily commute to jobs anywhere in the metroplex and serves as a magnet for the location of new businesses coming into the area.

Each of the communities within the Lewisville ISD continues to experience quality growth. The partnership between these cities and the District helps to ensure that facilities are provided to meet the needs of students at the best value to the taxpayers. The cities recognize that the impact growth will have on the schools must be part of their planning process.

In all sub-markets across the District's economy, fundamentals are stronger than ever; vacancies are low while rents and sales prices are increasing steadily.

The Mayor of Lewisville, Texas reports that "2018 was a year of great progress for Lewisville. There were many successes and accomplishments during the year that are laying the foundation for even greater growth in the years to come. Successes include the adoption of the 1-35 Overlay, establishment of financial tools needed for the eventual annexation of Castle Hills, the building and opening of two new fire stations, adoption of the two small area plans, the installation of the first piece of public art in Old Town, groundbreaking of Thrive, the development of new residential neighborhoods, and the expansion of family-friendly activities at Wayne Ferguson Plaza."

The City of Lewisville issued more than 7,300 building permits; more than 350 were for new single-family home construction. More than 300 were for construction or remodeling in Old Town. Construction began on Tower Bay Lofts, a resort-style luxury apartment development with more than 300 units near Lewisville Lake, east of 1-35E, north of Garden Ridge Boulevard. Planned amenities include an enclosed parking garage, a sky lounge that includes an indoor/outdoor kitchen, and an outdoor television wall. Phase 5 of the iconic Hebron 121 Station is underway, featuring 22 mansion style buildings and 13 townhome style buildings. When complete in late 2019, Phase 5 will have 272 units.

The industrial sub-market is experiencing vacancies less than one-third the historical average. Mary Kay opened its 470,000 square foot facility this year with more than 500 employees. Furthermore, the Majestic Airport Center retained Kellogg's for another ten-year lease.

Lewisville is nearly identical to the DFW market trends in sale price per square foot but has experienced a much lower vacancy rate than the DFW market.

The residential sub-market throughout the District remains strong. Homesteads within the District increased during 2018 by 1,126 units to a total of 60,934 as of January 1, 2019. The average market value for homesteads within the District as reported by the Denton Central Appraisal District and the Tarrant Appraisal District was \$368,618 as of January 1, 2019.

Residents continue to support the District schools and demonstrate their willingness to provide resources to serve students. Lewisville ISD voters reaffirmed their commitment to provide quality instruction and facilities for their students by approving a \$737.5 million bond referendum in May, 2017 with affirmative votes comprising 62.4 percent of the votes cast. This support will ensure that facility needs are met in a timely manner in the future.

AWARDS

The School Financial Integrity Rating System of Texas (FIRST) program, a financial accountability system for Texas school districts, was developed by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas Legislature in 1999. The primary goal of FIRST is to achieve quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with the Texas school finance system. The District received a rating of A=Superior under Texas' Schools FIRST financial accountability rating system. This is the state's highest financial rating, demonstrating the quality of the District's sound fiscal management and reporting system. The District achieved the highest available rating each year since the inception of the FIRST program.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report for the fiscal year ended August 31, 2018. This was the nineteenth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. The report must also satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe the current Comprehensive Annual Financial Report continues to meet the requirements of the Certificate of Achievement Program, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the District was awarded the Certificate of Excellence in Financial Reporting by the Association of School Business Officials International (ASBO) for its Comprehensive Annual Financial Report for the year ended August 31, 2018. This award has also been received for the nineteenth consecutive year. We believe the Comprehensive Annual Financial Report for the year ended August 31, 2019 continues to conform to the standards for which these awards were granted.

ACKNOWLEDGEMENTS

We appreciate the support of the Board of Trustees, the citizens of the District, and the business community, all who work cooperatively to ensure the best education for its students and the prudent development of the District. This cooperation is indicative of the strong support for the attainment of excellence in the District's educational programs.

Also, we would like to express our appreciation to all employees of the District for their interest and support in planning and conducting the financial affairs of the District in a responsible and progressive manner. The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance office.

Respectfully submitted,



Dr. Kevin Rogers
Superintendent



Michael Ball, CPA
Chief Financial Officer

**LEWISVILLE INDEPENDENT SCHOOL DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED AUGUST 31, 2019**

PRINCIPAL OFFICIALS AND ADVISORS

Principal Officials

Board of Trustees	Date Elected	Term Expires	Occupation
Katherine Sells, President	2016	2022	Community Volunteer
Tracy Scott Miller, Vice President	2014	2020	Business Executive and Client Partner for International BPO Company
Allison Lassahn, Secretary	2018	2021	Independent Consultant
Angie Cox	2013	2022	Escrow Officer, Business Owner
Kristi Hassett	2014	2020	Independent Consultant
Jenny Proznik	2016	2022	Community Volunteer
Kronda Thimesch	2015	2021	Business Owner

Administrative Officials

- Dr. Kevin Rogers, Superintendent
- Dr. Lori Rapp, Deputy Superintendent
- Michael Ball, CPA, Chief Financial Officer
- Dr. Buddy Bonner, Assistant Superintendent of Employee Services
- Amanda Brim, Chief Communications Officer
- Dr. Joseph Coburn, Chief Schools Officer
- Jeff Crownover, JD, General Counsel
- Bryon Kolbeck, Chief Technology Officer

Consultants and Advisors

- Whitley Penn L.L.P., Houston, Texas
Independent Auditors
- McCall, Parkhurst & Horton L.L.P., Dallas, Texas
Bond Counsel
- Hilltop Securities, Dallas, Texas
Financial Advisors
- Walsh Gallegos Treviño Russo & Kyle, P.C., Austin, Texas
Attorneys

CERTIFICATE OF BOARD

Lewisville Independent School District
Name of School District

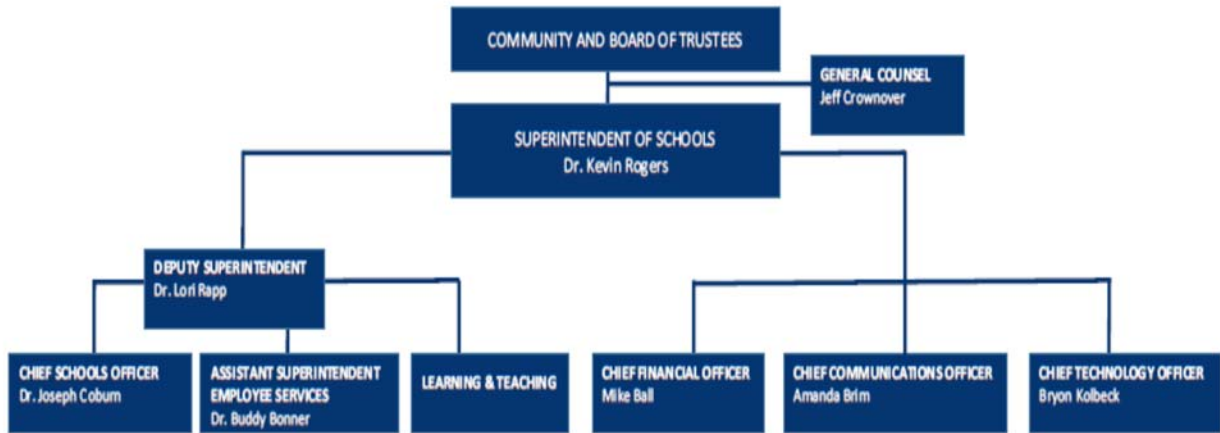
Denton
County

061-902
County-District No.

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and approved disapproved for the year ended August 31, 2019, at a meeting of Board of Trustees of such school district on the 9th day of December, 2019.


Signature of Board Secretary


Signature of Board President





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Lewisville Independent School
District, Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2018

Christopher P. Morill

Executive Director/CEO



**The Certificate of Excellence in Financial Reporting
is presented to**

Lewisville Independent School District

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended August 31, 2018.**

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.



A handwritten signature in black ink, appearing to read 'Tom Wohleber'.

Tom Wohleber, CSRM
President

A handwritten signature in black ink, appearing to read 'David J. Lewis'.

David J. Lewis
Executive Director

**FINANCIAL
SECTION**



REAL INNOVATION
LIMITLESS OPPORTUNITY
LEWISVILLE INDEPENDENT SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Lewisville Independent School District
Lewisville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lewisville Independent School District (the "District") as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component unit financial statements of the Lewisville Education Foundation, Inc. as of and for the year ended December 31, 2018. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Lewisville Education Foundation, Inc., is based solely on the report of the other auditors. 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 *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. The financial statements of the Lewisville Education Foundation, Inc. were not audited in accordance with *Governmental Auditing Standards*.

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.

To the Board of Trustees
Lewisville Independent School District

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, based on our audit and the report of other auditors, 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 Lewisville Independent School District as of August 31, 2019, and the respective changes in financial position, the respective budgetary comparison schedule for the general fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-15 and pension information and other post-employment benefit information on pages 74-75 and 76-77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information (as described in the accompanying table of contents), are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other information, such as the introductory and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information (as described in the accompanying table of contents) and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the other supplementary information (as described in the accompanying table of contents) and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of Trustees
Lewisville Independent School District

The introductory and statistical sections 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
December 9, 2019



LEWISVILLE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED AUGUST 31, 2019

The management of the Lewisville Independent School District offers readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended August 31, 2019. Readers are encouraged to consider the information presented here in conjunction with the transmittal letter at the front of this report and the District's financial statements, which follow this analysis.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of the District exceeded its assets and deferred outflows at the close of the fiscal year by \$54.6 million (net deficit). This deficit in unrestricted net position is due to the District's noncurrent liabilities of \$172 million for the District's portion of the Teacher's Retirement System (TRS) net pension liability and \$198 million for the District's portion of the TRS net other post-employment benefits liability.
- The District's total net position increased by \$38.2 million, mainly due to increased property tax revenue.
- The District's governmental funds financial statements reported combined ending fund balance of \$511.8 million. This balance consists of \$164.5 million in the General Fund of which \$122.2 million is assigned and \$42.0 million is unassigned and available for spending at the District's discretion. Restricted fund balance totals \$341.4 million and is used by the Debt Service Fund, Capital Projects Funds and Non-major Funds. Non-spendable fund balance is \$289 thousand and the remaining balance consists of \$6.0 million committed in the Non-major governmental funds.
- During the fiscal year, the District issued \$109.8 million in Unlimited Tax School Building Bonds for various construction activities.
- The General Fund had \$499.1 million in revenues, which primarily consisted of state aid and property taxes, and \$488.7 million in expenditures, including a payment to the State for recapture in the amount of \$30.0 million. The General Fund did increase fund balance this year by \$10.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The financial statements comprise four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the basic financial statements, and (4) federal awards section. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements. The following chart summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain.

Also included as a discretely presented component unit is the Lewisville Education Foundation, Inc., a nonprofit organization, that provides support to the District, teachers, and students.

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as Health and Worker's Compensation	Activities the District operates similar to private business-health insurance and workers' compensation	Instances in which the District is the trustee or agent for someone else's resources, such as student activity accounts
<i>Required financial statements</i>	Statement of Net Position	Balance sheet	Statement of net position	Statement of fiduciary net position
	Statement of Activities	Statement of revenues, expenditures and changes in fund balance	Statement of revenues, expenses and changes in fund net position	Statement of changes in fiduciary net position (if applicable)
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the District's fiduciary funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid (not applicable to agency funds)

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The *Statement of Net Position* includes all of the government's assets, deferred outflows, liabilities, and deferred inflows. 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, deferred outflows, liabilities and deferred inflows is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, additional nonfinancial factors, such as changes in the District's tax base, should be considered.

The government-wide financial statements of the District include only governmental activities. The District's basic services included here are instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes, state aid 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. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required by state law and by bond covenants, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

- *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 the reader 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 on the subsequent page that explains the relationship (or differences) between them.

The District maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance of the General Fund, the Debt Service Fund and the Capital Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

- *Proprietary funds* - Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities-such as the Workers' Compensation Fund.
- *Fiduciary funds*- The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information concerning the District.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. As noted earlier, net position may serve over time as a useful indicator of a District's financial position. The District's combined net position increased between fiscal years 2019 and 2018 - increasing by \$38.2 million as can be seen on the following table. The District's net investment in capital assets includes its investments in capital assets (e.g. land, building, equipment, improvements, and construction in progress) less any debt, used to acquire those assets that are still outstanding. The District's net investment in capital assets is 213.5 million.

The District uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

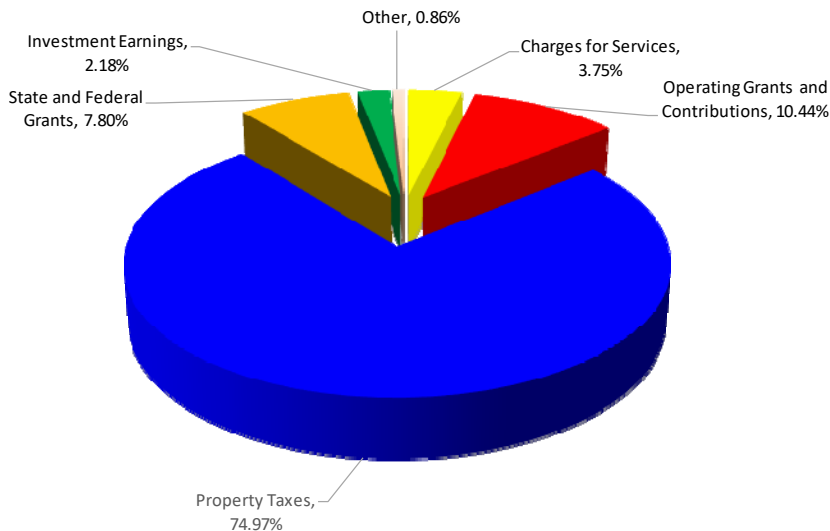
The following table provides a summary of the assets, deferred outflows, liabilities, deferred inflows, and net position for governmental activities for the years ended August 31, 2019 and 2018, respectively.

	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$ 609,530,314	\$ 609,780,488
Capital Assets	1,138,653,890	1,049,367,151
Total Assets	<u>1,748,184,204</u>	<u>1,659,147,639</u>
Total Deferred Outflows of Resources	<u>142,160,158</u>	<u>87,739,179</u>
Current Liabilities	92,198,226	85,447,102
Long-Term Liabilities	1,780,813,199	1,654,787,179
Total Liabilities	<u>1,873,011,425</u>	<u>1,740,234,281</u>
Total Deferred Inflows of Resources	<u>71,919,010</u>	<u>99,453,987</u>
Net Position		
Net Investment in capital assets	213,460,838	99,766,457
Restricted	54,387,883	45,813,722
Unrestricted	<u>(322,434,794)</u>	<u>(238,381,629)</u>
Total Net Position	<u>\$ (54,586,073)</u>	<u>\$ (92,801,450)</u>

A portion of the net position is restricted as to the purpose for which they can be used. Unrestricted net position decreased by \$84.1 million.

Changes in net position. The District's total revenues were \$730.0 million representing an increase of \$171.8 million from the previous year. The majority of this increase is caused by the increase in operating grants and contributions revenue of \$121.4 million attributed mainly to not recording negative on-behalf transaction related to prior year's GASB No. 75 entries. There was an increase in local property tax revenue of \$41.3 million due to higher assessed values on properties. State aid and federal grants increased by \$8.1 million. As seen below, approximately 75% of the District's revenue comes from taxes while the remaining comes primarily from state and federal sources.

District Sources of Revenue for Fiscal Year 2019



LEWISVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-Wide Activities

Funding for these government-wide activities is by the specific program revenue or through general revenues such as property taxes and investment earnings. The following is a summary of the governmental funds activities:

- The cost of all *governmental activities* for the year was \$691.8 million, an increase of \$219.3 million from the previous year. GASB No. 68 pension and 75 other post-employment benefits entries drove the increases.
- Some of the *governmental activities* cost was funded by program revenues directly attributable to specific activities. The program revenues amounted to \$103.6 million, an increase from prior year of \$121.4 million.

The following table presents the cost of the District's largest governmental functions as well as their related net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by local tax dollars, state revenues and other miscellaneous general revenues.

Net Cost of Selected District Functions

	Total Cost of Services	Net Cost of Services
Instruction and Instruction Related Services	\$ 334,999,566	\$ 283,854,157
Support Services Student (Pupil)	78,261,527	49,684,208
Support Services Nonstudent based	54,961,140	50,581,156
Debt Service	44,136,008	44,136,008
	<u>\$ 512,358,241</u>	<u>\$ 428,255,529</u>

As seen in the following schedule:

- The amount that our taxpayers paid for these activities through property taxes was \$547.3 million.
- Those who directly benefited from the programs paid \$27.4 million.
- Operating grants and contributions totaled \$76.2 million.

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Changes in the District's Net Position

	2019	2018	Percentage Change from Prior Year
Revenues			
Program Revenues:			
Charges for Services	\$ 27,411,565	\$ 27,255,910	0.57%
Operating Grants and Contributions	76,182,466	(45,220,947)	-268.47%
General Revenues:			
Property Taxes	547,309,927	505,960,636	8.17%
State and Federal Grants	56,970,523	48,901,500	16.50%
Investment Earnings	15,902,767	8,771,027	81.31%
Miscellaneous	6,253,151	1,174,359	432.47%
Extraordinary item	-	11,398,763	100.00%
Total Revenues	730,030,399	558,241,248	30.77%
Expenses			
Instruction and Instruction Related Services	334,999,566	234,299,233	42.98%
Instructional and School Leadership	46,061,023	29,621,308	55.50%
Support Services Student (Pupil)	80,655,005	70,364,270	14.62%
Administrative Support Services	10,427,183	7,691,141	35.57%
Support Services Nonstudent Based	54,961,140	50,037,577	9.84%
Ancillary Services	7,320,215	5,723,026	27.91%
Interest and Fiscal Charges	44,136,008	42,467,688	3.93%
Other Facility Costs	79,980,806	29,245,473	173.48%
Intergovernmental Charges	33,274,076	3,055,240	989.08%
Total Expenses	691,815,022	472,504,956	46.41%
Increase (Decrease) in Net Position	38,215,377	85,736,292	-55.43%
Net Position - September 1	(92,801,450)	110,385,524	-184.07%
Change in Accounting Principle	-	(288,923,266)	100.00%
Net Position - August 31	\$ (54,586,073)	\$ (92,801,450)	-41.18%

Revenues for the District's governmental activities increased year over year overall by \$171.8 million for the fiscal year ended August 31, 2019. The increase is caused by the increase in operating grants and contributions revenue by \$121.4 million mainly due to the GASB 75 negative on-behalf OPEB entries in the prior year.

Expenses for the District's governmental activities increased year over year overall \$219.3 million for the fiscal year ended August 31, 2019. The increase is related to GASB 75 OPEB entries from the prior year – negative on-behalf that did not occur in the current year.

The District's combined property tax rate remained at \$1.4075 per \$100 of assessed value. This generated tax revenues of \$547.3 million in fiscal year 2019, an increase of \$41.3 million over the 2018 fiscal year.

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$511.8 million, a decrease of \$8.1 million in comparison with the prior year. Approximately 8% of this total amount (\$42.0 million) constitutes an unassigned fund balance, which is available for spending at the District's discretion. The remaining fund balance is not available for spending because it has already been committed, restricted, assigned or is nonspendable. The District has self-imposed a limitation on the use of otherwise available expendable financial resources in governmental funds. The Board has resolved that the District shall not drop below a minimum of three months of expenditures (\$122.2 million) in assigned fund balance in the General Fund. The District has \$286.1 million in restricted unspent bond proceeds in its capital projects fund.

General Fund. The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$42.0 million, while total fund balance was \$164.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 9% of total General Fund expenditures, while total fund balances represents 34% of that same amount.

The District's General Fund balance increased \$10.5 million during the current fiscal year in comparison to an increase in the prior year of \$10.7 million. Local revenues increased by \$32.2 million primarily due to property taxes. State revenues increased by \$5 million.

Debt Service Fund. The Debt Service Fund has a total fund balance of \$46.0 million, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was \$4.9 million. During the year the District also included a cash defeasance of 5.5 million to make additional debt service payments.

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The table that follows assists in illustrating the financial activities and balance of the Debt Service Fund.

	<u>2019</u>	<u>2018</u>
Revenues		
Property taxes	\$ 142,528,196	\$ 132,571,342
Investment income	2,692,834	1,607,861
State revenues	1,966,389	2,125,354
Federal revenues	-	491,386
Total Revenues	<u>147,187,419</u>	<u>136,795,943</u>
Expenditures by function		
Principal	83,545,665	73,760,515
Interest	58,702,994	65,936,246
Total Expenditures	<u>142,248,659</u>	<u>139,696,761</u>
Other Financing Sources (Uses)		
Refunding bonds issued	-	70,070,000
Net premiums on issuance of bonds	3,845	10,653,676
Payments to refunded bond escrow	-	(80,032,053)
Total Other Financing Sources (Uses)	<u>3,845</u>	<u>691,623</u>
Net change in fund balance	4,942,605	(2,209,195)
Fund balance - September 1	41,068,117	43,277,312
Fund balance - August 31	<u>\$ 46,010,722</u>	<u>\$ 41,068,117</u>

Capital Projects Fund. The Capital Projects Fund has a total fund balance of \$286.1 million, all of which is restricted for ongoing capital projects. The fund balance decreased by \$26.8 million during the current fiscal year due to ongoing construction projects, offset by issuance of \$109.8 million in bonds for construction projects. The District's Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities specifically funded by bonds approved by the voters. Further discussion of the current year use of capital projects can be found under the Capital Assets section.

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

General Fund Budgetary Highlights

In accordance with Board Policy CE (Local), the District submits amendments during the course of the budget year. Approval for budget increases for formally adopted funds shall be made by the Board of Trustees. The Board delegates the authority for approval of budget functional transfers to the budget department. The District's major budget amendments presented to the Board of Trustees throughout the year are summarized as follows:

- *Variances of original expenditure budget compared to amended budget*-The amended expenditure budget increased in the General Fund by \$4.3 million from the original budget.
- *Variances of amended budget to actual expenditures*- Expenditures were \$14.1 million less than final budgeted amounts. Purchased and contracted services were \$11.1 million under budget, a variance of 11.5%. The variance includes utilities, transportation, contracted maintenance projects and other contracted services. Supplies and materials were under budget by \$5.0 million or 29.9%.
- *Variances of original revenue budget compared to actual revenue* - Local revenues were over budget by \$1.8 million. State revenues were \$2.5 million over budget. Federal revenue exceeded budget by \$4.3 million primarily due to Impact Aid and SHARS revenue.

Capital Assets

At the end of 2019, the District invested \$1.1 billion in a broad range of capital assets, including land, equipment, buildings, and construction in progress. This amount represents a net increase of \$89.3 million or 8.5% from last year.

Major capital assets events begun during the current year included the following:

New Hedrick Middle School	Parkway Elementary 20 Year Refresh
New Elementary School on Josey Lane	Timber Creek Elementary 20 Year Refresh
Middle School Fine Arts Additions – 3 campuses	Hebron High School Multi-Purpose Building
Degan Elementary School 20 Year Refresh	Hebron High School IAC
District-wide Security Vestibule Renovations	The Colony High School Entry Renovations
The Colony High School Limited Refresh	Exterior Lighting Replaced at Various Campuses

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Listed in the table below are the capital assets for governmental activities for the fiscal year ended August 31, 2019 and 2018, respectively:

	2019	2018	Total % Change
Land	\$ 111,236,031	\$ 111,886,031	-0.58%
Buildings and Improvements	1,398,856,098	1,348,774,182	3.71%
Vehicles	4,019,221	3,925,480	2.39%
Furniture and Equipment	25,340,628	24,531,720	3.30%
Construction in Progress	86,989,254	15,780,221	100.00%
Total at historical cost	<u>1,626,441,232</u>	<u>1,504,897,634</u>	<u>8.08%</u>
Less accumulated depreciation for:			
Buildings and Improvements	469,643,600	438,785,423	7.03%
Vehicles	2,716,233	2,624,878	3.48%
Furniture and Equipment	15,427,509	14,120,182	9.26%
Total accumulated depreciation	<u>487,787,342</u>	<u>455,530,483</u>	<u>7.08%</u>
Net capital assets	<u>\$ 1,138,653,890</u>	<u>\$ 1,049,367,151</u>	<u>8.51%</u>

Additional information on the District's capital assets can be found in Note 5 of this report.

Debt Administration

- At the end of the current fiscal year, the District has total bonded debt of \$1,408,404,617 an increase of 14.9% percent from the prior year. During the fiscal year, the District issued \$109,765,000 in Unlimited Tax School Building Bonds. The proceeds will be used to fund various construction projects. The District's debt includes capital appreciation bonds which accrete interest until their maturing date. Total accreted interest on these capital appreciation bonds totaled \$37,145,263 at the end of the fiscal year.
- The District continues to enjoy excellent bond ratings. The District's bonds presently carry very favorable ratings as follows:
 - Standard and Poor's "AA+"
 - Fitch Investor Service "AA+"

More detailed information about the District's debt is presented in the Notes to the Financial Statements (Note 9).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The local economy continues to be strong as it has been for a number of years. The 2019-2020 appraised property values increased by approximately 8.8%. The passage of House Bill 3 by the 86th Texas Legislature changed the State funding formulas to focus primarily on revenues deemed appropriate for various categories of student instructional settings. The funding for the District as projected under the provisions of House Bill 3 results in approximately similar amounts of available revenues with a decrease in the projected recapture payments of approximately \$11.3 million, resulting in a net benefit to the District of approximately \$11.0 million. The District is expecting to pay recapture payments to the State in accordance with Chapter 49 of the Texas Education Code in the amount of \$18.6 million.

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The Maintenance and Operations (M&O) tax rate decreased from \$1.04 per \$100 valuation to \$0.97 per \$100 valuation for the 2019-20 fiscal year in accordance with requirements of state law. The Interest and Sinking (I&S) tax rate remained unchanged at \$0.3675 per \$100 valuation for the 2019-20 year. The District's student enrollment is expected to remain fairly constant at approximately 52,000 students for the 2019-20 year.

General Fund expenditures are budgeted to increase by \$1.4 million or less than 1.0 percent over the prior year budgeted expenditures. Major expenditure changes include a salary increase for teachers in varying percentages based on years of experience, new positions, and increases for transportation, custodial, and contracted maintenance, combined with a reduction in budgeted recapture payments of \$11.3 million.

If the estimates are realized, the District's budgetary General Fund balance is expected to decrease by \$14.2 million by the close of 2020 fiscal year.

Request for Information

This financial report is designed to provide our citizens, taxpayers, 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 District's Chief Financial Officer at Lewisville Independent School District Administrative Center, 1565A West Main Street, Lewisville, TX 75067.



LEWISVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
August 31, 2019

Exhibit A-1

Data Control Codes		Total Primary Government Governmental Activities		Component Unit
		August 31, 2019	December 31, 2018	
	Assets			
1110	Cash and cash equivalents	\$ 582,770,758	\$ 3,903,374	
	Receivables:			
1225	Property taxes	7,050,110	-	
1230	Allowance for uncollectible taxes	(844,881)	-	
1240	Due from other governments	6,440,852	-	
1250	Accrued interest	373,264	-	
1290	Other receivables	88,356	21,620	
1300	Inventories at cost	690,269	-	
1410	Prepaid items	141,025	2,613	
	Capital assets (net of accumulation depreciation where applicable)			
1510	Land	111,236,031	-	
1580	Construction in progress	86,989,254	-	
1520	Buildings and improvements	929,212,498	-	
1531	Vehicles	1,302,988	-	
1530	Furniture and equipment	9,913,119	-	
1810	Restricted Cash and Investments	12,820,561	-	
1000	Total Assets	1,748,184,204	3,927,607	
	Deferred Outflows of Resources			
1700	Deferred outflows - Charge on refunding	28,393,766	-	
1705	Deferred outflows - Pension	87,921,818	-	
1710	Deferred outflows - OPEB	25,844,574	-	
	Total Deferred Outflows of Resources	142,160,158	-	
	Liabilities			
2110	Accounts payable	47,408,582	6,888	
2140	Interest payable	2,356,990	-	
2150	Payroll deductions and withholdings payable	3,828,500	-	
2160	Accrued wages payable	32,599,285	-	
2180	Due to other governments	2,479,651	-	
2300	Unearned revenue	3,525,218	-	
	Noncurrent Liabilities:			
2501	Due within one year	92,539,173	-	
2502	Due in more than one year	1,318,697,438	-	
2540	Net pension liability	171,946,208	-	
2545	Net Other Post Employment Benefits (OPEB) liability	197,630,380	-	
2000	Total Liabilities	1,873,011,425	6,888	
	Deferred Inflows of Resources			
2605	Deferred inflows - Pension	9,423,523	-	
2610	Deferred inflows - OPEB	62,495,487	-	
	Total Deferred Inflows of Resources	71,919,010	-	
	Net Position			
3200	Net investment in capital assets	213,460,838	-	
	Restricted for:			
3840	Food service	7,479,469	-	
3820	Grants	1,756,477	-	
3850	Debt service	45,151,937	-	
3890	Expendable	-	627,989	
3890	Nonexpendable	-	2,564,147	
3900	Unrestricted	(322,434,794)	728,583	
3000	Total Net Position (deficit)	\$ (54,586,073)	\$ 3,920,719	

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

Exhibit B-1
Page 1 of 2

Data Control Codes	Functions/Programs	Expenses	Program Revenue	
			Charges for Services	Operating Grants and Contributions
Primary Government:				
Governmental activities:				
11	Instruction	\$ 323,742,411	\$ 1,385,963	\$ 47,068,427
12	Instruction resources & media services	6,794,595	31,785	557,512
13	Curriculum & instructional staff development	4,462,560	37,085	2,064,637
21	Instructional leadership	12,144,081	97,816	1,087,065
23	School administration	33,916,942	287,271	2,970,475
31	Guidance and counseling	24,764,938	340,701	2,679,630
32	Social work services	822,820	-	436,700
33	Health services	5,889,092	696	577,097
34	Pupil transportation	15,266,960	-	146,169
35	Food services	22,365,713	10,956,662	13,202,249
36	Co-curricular activities	11,545,482	5,277,936	676,918
41	General administration	10,427,183	192,899	1,708,091
51	Plant maintenance and operation	41,102,255	2,042,744	1,509,059
52	Security and monitoring	2,557,946	8,290	118,268
53	Data processing services	11,300,939	-	701,623
61	Community services	7,320,215	6,726,981	678,546
71	Interest and fiscal charges on long-term debt	44,136,008	-	-
81	Other facility costs	79,980,806	24,736	-
91	Purchase of WADA	29,971,536	-	-
93	Fiscal agent/member district of shared service arrangement	98,400	-	-
95	Juvenile justice alternative education program	35,060	-	-
99	Other intergovernmental charges	3,169,080	-	-
TG	Total governmental activities	\$ 691,815,022	\$ 27,411,565	\$ 76,182,466
Component Units:				
	Lewisville Education Foundation, Inc.	\$ 1,286,048		\$ 1,376,571

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

Exhibit B-1
Page 2 of 2

Data Control Codes	Functions/Programs	Net (Expense) Revenue and	
		Governmental Activities	Component Unit
		Year Ended August 31, 2019	Year Ended December 31, 2018
Primary Government:			
Governmental activities:			
11	Instruction	\$ (275,288,021)	
12	Instruction resources & media services	(6,205,298)	
13	Curriculum & instructional staff development	(2,360,838)	
21	Instructional leadership	(10,959,200)	
23	School administration	(30,659,196)	
31	Guidance and counseling	(21,744,607)	
32	Social work services	(386,120)	
33	Health services	(5,311,299)	
34	Pupil transportation	(15,120,791)	
35	Food services	1,793,198	
36	Co-curricular activities	(5,590,628)	
41	General administration	(8,526,193)	
51	Plant maintenance and operation	(37,550,452)	
52	Security and monitoring	(2,431,388)	
53	Data processing services	(10,599,316)	
61	Community services	85,312	
71	Interest and fiscal charges on long-term debt	(44,136,008)	
81	Other facility costs	(79,956,070)	
91	Purchase of WADA	(29,971,536)	
93	Fiscal agent/member district of shared service arrangement	(98,400)	
95	Juvenile justice alternative education program	(35,060)	
99	Other intergovernmental charges	(3,169,080)	
TG	Total governmental activities	(588,220,991)	
Component Units:			
	Lewisville Education Foundation, Inc.		\$ 90,523
General revenues:			
Taxes:			
MT	Property taxes - maintenance & operations	404,466,006	-
DT	Property taxes - debt services	142,843,921	-
SF	Unrestricted state aid formula grants	47,295,918	-
GC	Medicaid reimbursements	5,867,726	-
GC	Unrestricted federal aid	3,806,879	-
IE	Investment earnings (loss)	15,902,767	(219,420)
MI	Miscellaneous	6,253,151	-
TR	Total general revenues	626,436,368	(219,420)
CN	Change in net position	38,215,377	(128,897)
NB	Net position - beginning	(92,801,450)	4,049,616
NE	Net position - ending	\$ (54,586,073)	\$ 3,920,719

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
 August 31, 2019

Exhibit C-1
 Page 1 of 2

Data Control Codes	General Fund	Debt Service Fund	Capital Projects Fund
Assets			
1110 Cash and temporary investments	\$ 204,328,952	\$ 33,349,254	\$ 325,380,165
Receivables:			
1220 Delinquent property taxes receivables	5,152,147	1,897,963	-
1230 Allowance for uncollectible taxes (credit)	(624,633)	(220,248)	-
1240 Receivables from other governments	2,979,122	22,977	-
1250 Accrued interest	192,580	44,675	136,009
1260 Due from other funds	1,424,590	-	-
1290 Other receivables	88,356	-	-
1300 Inventories, at cost	147,995	-	-
1410 Prepaid items	141,025	-	-
1810 Restricted Cash and Investments	-	12,820,561	-
1000 Total Assets	\$ 213,830,134	\$ 47,915,182	\$ 325,516,174
Liabilities and Fund Balance			
Liabilities:			
2110 Accounts payable	\$ 5,569,263	\$ -	\$ 39,370,082
2140 Accrued interest payable	-	150,343	-
2150 Payroll deductions and withholdings	3,828,500	-	-
2160 Accrued wages payable	31,384,388	-	17,231
2170 Due to other funds	260,870	-	-
2180 Payable to other governments	2,069,433	406,255	-
2300 Unearned revenue	2,563,766	-	-
2000 Total Liabilities	45,676,220	556,598	39,387,313
Deferred Inflows of Resources			
2600 Unavailable revenue - property taxes	3,647,850	1,347,862	-
Total Deferred Inflows of Resources	3,647,850	1,347,862	-
Fund Balance:			
Nonspendable			
3410 Inventories	147,995	-	-
3430 Prepaid items	141,025	-	-
Restricted			
3450 Grants	-	-	-
3470 Capital acquisition program	-	-	286,128,861
3480 Debt service	-	46,010,722	-
Committed			
3545 Campus activity	-	-	-
Assigned			
3590 Minimum fund balance policy	122,172,800	-	-
3600 Unassigned	42,044,244	-	-
3000 Total Fund Balances	164,506,064	46,010,722	286,128,861
4000 Total Liabilities and Fund Balance	\$ 213,830,134	\$ 47,915,182	\$ 325,516,174

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2019

Exhibit C-1
Page 2 of 2

<u>Data Control Codes</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets		
1110	\$ 15,912,623	\$ 578,970,994
Receivables:		
1220	-	7,050,110
1230	-	(844,881)
1240	3,438,753	6,440,852
1250	-	373,264
1260	-	1,424,590
1290	-	88,356
1300	542,274	690,269
1410	-	141,025
1810	-	12,820,561
1000 Total Assets	<u>\$ 19,893,650</u>	<u>\$ 607,155,140</u>
Liabilities and Fund Balance		
Liabilities:		
2110	\$ 1,115,353	\$ 46,054,698
2140	-	150,343
2150	-	3,828,500
2160	1,197,666	32,599,285
2170	1,424,590	1,685,460
2180	3,963	2,479,651
2300	961,452	3,525,218
2000 Total Liabilities	<u>4,703,024</u>	<u>90,323,155</u>
Deferred Inflows of Resources		
2600	-	4,995,712
Total Deferred Inflows of Resources	<u>-</u>	<u>4,995,712</u>
Fund Balance:		
Nonspendable		
3410	-	147,995
3430	-	141,025
Restricted		
3450	9,235,946	9,235,946
3470	-	286,128,861
3480	-	46,010,722
Committed		
3545	5,954,680	5,954,680
Assigned		
3590	-	122,172,800
3600	-	42,044,244
3000 Total Fund Balances	<u>15,190,626</u>	<u>511,836,273</u>
4000 Total Liabilities and Fund Balance	<u>\$ 19,893,650</u>	<u>\$ 607,155,140</u>



LEWISVILLE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
STATEMENT OF NET POSITION
August 31, 2019

Exhibit C-1R

Data Control Codes		
	Total fund balance, governmental funds	\$ 511,836,273
	Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	1,626,441,232
2	Accumulated depreciation has not been included in the governmental fund financial statements	(487,787,342)
3	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	4,995,712
4	Deferred charges on refunding	28,393,766
5	Deferred inflows and outflows related to pension liability	78,498,295
6	Deferred inflows and outflows related to OPEB liability	(36,650,913)
	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. Long-term liabilities at year end consist of:	
7	General obligation bonds	(1,269,936,036)
8	Premiums on issuance	(101,323,429)
9	Accreted interest on premium compound interest bonds	(37,145,152)
10	Accrued compensated absences	(2,831,994)
11	Accrued interest payable	(2,206,647)
12	Net pension liability	(171,946,208)
13	Net OPEB liability	(197,630,380)
14	Addition of Internal Service fund net position	<u>2,706,750</u>
19	Total net position - governmental activities	<u><u>\$ (54,586,073)</u></u>

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2019

Exhibit C-2
Page 1 of 2

<u>Data Control Codes</u>		<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
Revenues				
5700	Local, intermediate, and out-of-state	\$ 421,296,309	\$ 145,221,030	\$ 9,747,715
5800	State program revenues	67,319,894	1,966,389	-
5900	Federal program revenues	10,496,526	-	-
5020	Total Revenues	<u>499,112,729</u>	<u>147,187,419</u>	<u>9,747,715</u>
Expenditures				
Current:				
0011	Instruction	281,538,703	-	-
0012	Instructional resources and media services	6,438,270	-	-
0013	Curriculum and instructional staff development	2,260,659	-	-
0021	Instructional leadership	11,157,143	-	-
0023	School leadership	30,969,885	-	-
0031	Guidance, counseling and evaluation services	21,581,387	-	-
0032	Social work services	443,684	-	-
0033	Health services	5,447,812	-	-
0034	Student transportation	15,143,793	-	-
0035	Food services	34,051	-	-
0036	Extracurricular activities	10,293,651	-	-
0041	General administration	9,615,861	-	-
0051	Facilities maintenance and operations	39,692,951	-	-
0052	Security and monitoring services	2,504,450	-	-
0053	Data processing services	11,364,512	-	-
0061	Community services	6,897,697	-	-
Debt service:				
0071	Principal on long-term debt	-	83,545,665	-
0072	Interest on long-term debt and fees	-	58,702,994	867,269
Capital outlay:				
0081	Facilities acquisition and construction expenditures	32,613	-	163,252,522
Intergovernmental:				
0091	Purchase of WADA	29,971,536	-	-
0093	Payments related to shared services arrangements	98,400	-	-
0095	Payments to Juvenile Justice Alternative Education Program	35,060	-	-
0099	Other Intergovernmental Charges	3,169,080	-	-
6030	Total Expenditures	<u>488,691,198</u>	<u>142,248,659</u>	<u>164,119,791</u>
1100	Excess (deficiency) of revenues over expenditures	<u>10,421,531</u>	<u>4,938,760</u>	<u>(154,372,076)</u>
Other Financing Sources (Uses)				
7911	Issuance of Capital-related debt (regular bonds)	-	-	109,765,000
7912	Sale of real or personal property	107,217	-	1,707,000
7915	Transfers in	-	-	-
7916	Premium or discount on issuance of bonds	-	3,845	16,102,269
8911	Transfers out	(11,122)	-	-
7080	Total other financing sources and uses	<u>96,095</u>	<u>3,845</u>	<u>127,574,269</u>
1200	Net change in fund balances	10,517,626	4,942,605	(26,797,807)
0100	Fund Balance - beginning	<u>153,988,438</u>	<u>41,068,117</u>	<u>312,926,668</u>
3000	Fund Balance - ending	<u>\$ 164,506,064</u>	<u>\$ 46,010,722</u>	<u>\$ 286,128,861</u>

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2019

Exhibit C-2
Page 2 of 2

<u>Data Control Codes</u>		<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
5700	Local, intermediate, and out-of-state	\$ 17,458,520	\$ 593,723,574
5800	State program revenues	6,772,870	76,059,153
5900	Federal program revenues	30,463,177	40,959,703
5020	Total Revenues	<u>54,694,567</u>	<u>710,742,430</u>
Expenditures			
Current:			
0011	Instruction	22,110,613	303,649,316
0012	Instructional resources and media services	106,497	6,544,767
0013	Curriculum and instructional staff development	1,946,578	4,207,237
0021	Instructional leadership	84,843	11,241,986
0023	School leadership	641,158	31,611,043
0031	Guidance, counseling and evaluation services	1,300,457	22,881,844
0032	Social work services	40,000	483,684
0033	Health services	72,920	5,520,732
0034	Student transportation	138,771	15,282,564
0035	Food services	21,946,543	21,980,594
0036	Extracurricular activities	1,498,871	11,792,522
0041	General administration	182,698	9,798,559
0051	Facilities maintenance and operations	1,107,509	40,800,460
0052	Security and monitoring services	42,944	2,547,394
0053	Data processing services	-	11,364,512
0061	Community services	155,773	7,053,470
Debt service:			
0071	Principal on long-term debt	-	83,545,665
0072	Interest on long-term debt and fees	-	59,570,263
Capital outlay:			
0081	Facilities acquisition and construction expenditures	49,095	163,334,230
Intergovernmental:			
0091	Payments related to shared services arrangements	-	29,971,536
0093	Payments related to shared services arrangements	-	98,400
0095	Payments to Juvenile Justice Alternative Education Program	-	35,060
0099	Other Intergovernmental Charges	-	3,169,080
6030	Total Expenditures	<u>51,425,270</u>	<u>846,484,918</u>
1100	Excess (deficiency) of revenues over expenditures	<u>3,269,297</u>	<u>(135,742,488)</u>
Other Financing Sources (Uses)			
7911	Issuance of Capital-related debt (regular bonds)	-	109,765,000
7912	Sale of real or personal property	-	1,814,217
7915	Transfers in	11,122	11,122
7916	Premium or discount on issuance of bonds	-	16,106,114
8911	Transfers out	-	(11,122)
7080	Total other financing sources and uses	<u>11,122</u>	<u>127,685,331</u>
1200	Net change in fund balances	3,280,419	(8,057,157)
0100	Fund Balance - beginning	<u>11,910,207</u>	<u>519,893,430</u>
3000	Fund Balance - ending	<u>\$ 15,190,626</u>	<u>\$ 511,836,273</u>

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

Exhibit C-3

<u>Data Control Codes</u>		
	Net change in fund balances - total governmental funds (from C-3)	\$ (8,057,157)
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
1	Governmental funds capital outlay	132,054,423
2	Governmental activities depreciation expense	(37,889,248)
3	Governmental funds report the entire sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets.	(4,878,436)
4	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,243,804
5	Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	83,545,665
6	Proceeds from issuance of refunding and construction bonds of (\$109,765,000) and premium on long-term debt of (\$16,106,114) is reported as an other financing source in the governmental funds.	(125,871,114)
7	Pension contributions made after the net pension liability date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position	10,667,951
8	Increase in interest payable not recognized in the fund statements	(29,799)
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
9	Amortization of premiums, deferred charges on refunding	10,682,271
10	Capital appreciation bonds matured and related accreted interest	4,781,783
11	Deferred outflows of resources - TRS pension	(21,989,418)
12	Deferred outflows of resources - TRS OPEB	(2,612,076)
13	Deferred inflows of resources - TRS pension expense for the plan measurement year	(2,443,269)
14	Deferred inflows of resources - TRS OPEB expense for the plan measurement year	(736,739)
15	Increase in long term compensation absences	(95,118)
16	Internal service funds are used by management to charge the costs of certain activities, such as insurances, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental funds. (see D-2)	<u>(158,146)</u>
	Change in net position of governmental activities (see B-1)	<u>\$ 38,215,377</u>

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
For the Year Ended August 31, 2019

Exhibit C-4

Data Control Codes	Budgeted Amounts		Actual Amounts, GAAP Basis	Variance with Final Budget	
	Original	Final			
Revenues					
5700	Local revenues	\$ 418,985,588	\$ 418,985,588	\$ 421,296,309	\$ 2,310,721
5800	State program revenues	64,797,332	64,797,332	67,319,894	2,522,562
5900	Federal program revenues	6,199,000	6,199,000	10,496,526	4,297,526
5020	Total Revenues	<u>489,981,920</u>	<u>489,981,920</u>	<u>499,112,729</u>	<u>9,130,809</u>
Expenditures					
Current:					
0011	Instruction	283,320,720	285,061,307	281,538,703	3,522,604
0012	Instructional resources and media services	5,825,228	6,531,054	6,438,270	92,784
0013	Curriculum and staff development	2,832,774	2,753,153	2,260,659	492,494
0021	Instructional leadership	11,236,059	11,246,022	11,157,143	88,879
0023	School leadership	28,692,585	31,067,646	30,969,885	97,761
	Guidance, counseling and				
0031	evaluation services	19,818,973	21,679,479	21,581,387	98,092
0032	Social work services	214,133	488,634	443,684	44,950
0033	Health services	4,895,193	5,502,378	5,447,812	54,566
0034	Student transportation	15,209,090	15,257,992	15,143,793	114,199
0035	Food services	39,100	39,100	34,051	5,049
0036	Extracurricular activities	11,491,933	10,424,367	10,293,651	130,716
0041	General administration	11,264,475	11,031,234	9,615,861	1,415,373
0051	Facilities maintenance and operations	43,946,478	41,593,828	39,692,951	1,900,877
0052	Security and monitoring services	2,763,869	2,820,821	2,504,450	316,371
0053	Data processing services	12,294,291	12,292,457	11,364,512	927,945
0061	Community services	6,496,827	6,932,092	6,897,697	34,395
Capital outlay:					
0081	Facilities acquisition and construction	-	35,611	32,613	2,998
Intergovernmental:					
0091	Contracted instructional services	34,476,000	34,476,000	29,971,536	4,504,464
0093	Payments related to shared services				
	arrangements	210,000	111,200	98,400	12,800
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	200,000	200,000	35,060	164,940
0099	Other Intergovernmental Charges	3,282,088	3,282,088	3,169,080	113,008
6030	Total Expenditures	<u>498,509,816</u>	<u>502,826,463</u>	<u>488,691,198</u>	<u>14,135,265</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(8,527,896)</u>	<u>(12,844,543)</u>	<u>10,421,531</u>	<u>23,266,074</u>
Other Financing Sources (Uses)					
7912	Sale of real or personal property	-	-	107,217	107,217
8911	Operating transfers out	-	(11,122)	(11,122)	-
7080	Total other financing sources and uses	<u>-</u>	<u>(11,122)</u>	<u>96,095</u>	<u>107,217</u>
1200	Net change in fund balances	(8,527,896)	(12,855,665)	10,517,626	23,373,291
0100	Fund balances - beginning	<u>153,988,438</u>	<u>153,988,438</u>	<u>153,988,438</u>	<u>-</u>
3000	Fund balances - ending	<u>\$ 145,460,542</u>	<u>\$ 141,132,773</u>	<u>\$ 164,506,064</u>	<u>\$ 23,373,291</u>

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
August 31, 2019

Exhibit D-1

	Governmental Activities
	Internal Service Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 3,799,764
Due from other funds	260,870
Total Assets	<u>4,060,634</u>
Liabilities	
Current Liabilities:	
Accounts payable	5,160
Accrued expenses	1,348,724
Total Liabilities	<u>1,353,884</u>
Net Position	
Unrestricted net position	2,706,750
Total Net Position	<u>\$ 2,706,750</u>

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended August 31, 2019

Exhibit D-2

	<u>Governmental Activities Internal Service Fund</u>
Operating Revenues	
Premiums	\$ 1,065,006
Total Operating Revenues	<u>1,065,006</u>
Operating Expenses	
Professional and contracted services	96,600
Claims and premiums	<u>1,222,367</u>
Total Operating Expenses	<u>1,318,967</u>
Operating (Loss)	(253,961)
Non-Operating Revenues	
Interest income	<u>95,815</u>
Total Non-operating Revenues	<u>95,815</u>
Change in Net Position	(158,146)
Net Position - September 1 (Beginning)	<u>2,864,896</u>
Net Position - August 31 (Ending)	<u>\$ 2,706,750</u>

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended August 31, 2019

Exhibit D-3

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Cash Flows from Operating Activities:	
Cash received for premiums from other funds	\$ 847,295
Cash paid for claims and premiums	<u>(1,553,509)</u>
Net Cash used for Operating Activities	<u>(706,214)</u>
Cash Flows from Investing Activities:	
Interest received on investments	<u>95,815</u>
Net Cash Provided by Investing Activities	<u>95,815</u>
Net decrease in Cash and Cash Equivalents	(610,399)
Cash and Cash Equivalents at Beginning of Year	<u>4,410,163</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,799,764</u>
Reconciliation of Operating Income to Net Cash	
Provided by (used in) Operating Activities:	
Operating Income (Loss)	\$ (253,961)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Increase in Interfund Receivables	(217,711)
Increase in Accounts Payable	(150)
Decrease in Accrued Expenses	<u>(234,392)</u>
Total Adjustments	<u>(452,253)</u>
Net Cash Used for Operating Activities	<u>\$ (706,214)</u>

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
August 31, 2019

Exhibit E-1

	Total Agency Funds
	<u> </u>
Assets	
Cash and cash equivalents	\$ 3,013,231
Receivable from outside entities	473,058
Prepaid items	<u>6,268</u>
Total Assets	<u><u>\$ 3,492,557</u></u>
Liabilities	
Accounts payable	\$ 47,993
Due to outside entities	1,852,903
Due to other governments	100
Due to student groups	1,522,468
Unearned revenue	<u>69,093</u>
Total Liabilities	<u><u>\$ 3,492,557</u></u>



Note 1 - Summary of Significant Accounting Policies

Lewisville Independent School District (the "District") is an independent public educational agency operating under applicable laws and regulations of the State of Texas. The District is autonomously governed by a seven-member Board of Trustees elected by the District's residents.

The District prepares its basic financial statements in conformity with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in Statement on Auditing Standards No. 69, as amended by Statement on Auditing Standards No.'s 91 and 93 of the American Institute of Certified Public Accountants; and it complies with the most recent requirements of the Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide" or FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

Reporting Entity

The Board of Trustees ("Board"), a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The public elects the trustees. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("Agency") or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. The financial statements of the District include all activities for which the Board exercises these governance responsibilities.

For financial reporting purposes, in conformance with governmental accounting standards, the District includes all funds of the District, as well as any component units for which the District is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (1) the ability to impose will by the District, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the District. In accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the District has determined that the Lewisville Education Foundation, Inc. ("LEF") should be included in the District's financial statements and reported as a discretely presented component unit.

The discretely presented component unit is reported in a separate column in the financial statements to emphasize it as legally separate from the District. LEF is a nonprofit organization with the purpose of providing financial support to the District, teachers, and students. LEF is governed by a 22 member Board of Trustees, who represents a cross section of the community served by the District. All voting members are independent of the District; however, District administrators serve as ex-officio Board members. The accounting and reporting policies relating to the component unit included in the financial statements conform to the generally accepted accounting principles applicable to state and local governments. A copy of the complete separately audited financial statements as of and for the year ended December 31, 2018 can be obtained from Lewisville ISD Education Foundation, Inc., P.O. Box 643, Lewisville, Texas 75067.

The District receives funding from local, state, and federal government sources and complies with the requirements of these funding source entities.

Note 1 - Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities. Internal service fund activity is eliminated to avoid overstatement of revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation. 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 the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers who directly benefit from the services provided by that function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items properly not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District reports only one internal service fund as a proprietary fund. Internal service funds are never considered major funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Agency funds also use the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue as the eligibility requirements imposed by the provider have been met. The effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental funds utilize the current financial resources measurement focus and the modified accrual basis of accounting. Under this method revenues are recorded when they are susceptible to accrual, which means they must be both available and measurable. Revenues are considered to be available when they are expected to be collected during the current budgetary period or within 60 days thereafter to pay liabilities outstanding at the close of the budgetary period.

Interest revenue and building rentals are recorded when earned since they are measurable and available. Other revenues such as fees, tuition, and miscellaneous revenues are recorded when received.

Fund Accounting

Governmental Funds

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

Note 1 - Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

Under the modified accrual basis, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for principal and interest on long-term debt, which is recognized when due.

District accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The District has established several funds that are organized by sub-funds within a separate set of self-balancing accounts comprised of assets, liabilities, fund balance, revenues, and expenditures or expenses as appropriate. Governmental resources allocated to individual funds are recorded for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements.

The District reports the following major governmental funds:

General Fund - The District's primary operating fund. This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.

Debt Service Fund - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.

Capital Projects Fund - This fund is established to account for proceeds, on the modified accrual basis, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishing and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

In addition, the District reports the following funds:

Special Revenue Funds - These governmental funds are established to account for programs or expenditures legally restricted for specified purposes and Food Service Program transactions.

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

Internal Service Fund - The District utilizes an Internal Service Fund, a proprietary fund, to account for its workers' compensation self-insurance plan.

The District continues to fully provide for incurred but not reported costs for workers' compensation claims through the establishment of undiscounted liability accounts and net position.

Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The operating revenues of the self-insurance fund are received from both the General and Special Revenue Funds and its operating expenses are comprised of claims paid on behalf of District employees.

Note 1 - Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

Operating expenses also include administrative expenses and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The internal service fund is accounted for on a flow of economic resources measurement focus. Accordingly, the accrual basis, whereby revenues and expenses are identified in the accounting period in which they are earned and incurred and net income is determined, is utilized for this fund. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations.

Agency Fund - This custodial fund is used to account for activities of student groups, other organizational activities and the District service as business agent with Communities in Schools of North Texas, Inc. Financial resources for the Agency fund are recorded as assets and liabilities; therefore, this fund does not include revenues and expenditures and has no fund equity. If the student groups declare any unused resources surplus, they are transferred to the General Fund.

Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of these new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

- GASB Statement No. 83, Certain Asset Retirement Obligations. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations.
- GASB Statement No. 88, Certain Disclosures related to Debt. This Statement establishes certain disclosures related debt, including direct borrowing and direct placements.

The following standards have been issued, but have not been implemented as not yet effective.

- GASB No. Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The criteria generally focus on: whether a government is controlling the assets of the fiduciary activity, and the beneficiaries with whom a fiduciary relationship exists.
- GASB No. Statement No. 87, provides guidance for lease contracts for nonfinancial assets—including vehicles, heavy equipment, and buildings—but excludes nonexchange transactions, including donated assets, and leases of intangible assets (such as patents and software licenses).
- GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period.
- GASB Statement No. 90, Majority Equity Interests. An amendment of GASB Statements No. 14 and No. 61.

Note 1 - Summary of Significant Accounting Policies (continued)

Budgetary Data

Each school district in Texas is required by law to annually prepare a budget of anticipated revenues and expenditures for Governmental Funds for the fiscal year beginning September 1. The District adopts annual budgets for the General Fund, Food Service, and the Debt Service Fund.

The annual budget is prepared on the modified accrual basis of accounting. The official school budget was prepared for adoption for all governmental fund types by August 20, 2018 as required. The Board of Trustees formally adopted the budget at a duly advertised public meeting prior to the expenditure of funds. Final priorities and funding of projects are determined by the Board, which subsequently establishes a tax rate sufficient to support the approved budget.

Management has the authority to transfer any unencumbered appropriation from one appropriation to another within a single function. In addition, the administration performs budget reviews by which budget requirements are reevaluated and revisions are recommended to the Board. The Board is required to approve amendments to the budget that change any budgeted fund (the legal level of compliance), revenue object accounts, or other financing sources/uses as defined by the Agency for each individual fund type. Unexpended appropriations lapse at year-end. State law prohibits deficit fund balances. (See Note 2 for additional disclosure.)

Cash in Bank Depository and Investments

The District's cash and investments are classified as cash and temporary investments. The cash and temporary investments include cash on hand, deposits with financial institutions. Investments consist of balances in privately managed public funds investment pools and investments in United States (U.S.) securities and U.S. Agency securities. The District reports all investments at fair value, except for investment pools. The District's investment pools are valued and reported at amortized cost, which approximates fair value. The District's cash and temporary investments are short-term, highly liquid investments that are readily convertible to cash.

The District's investments are carried at fair value based on quoted market prices at year-end, in accordance with U.S. generally accepted accounting principles. The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants*.

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

At August 31, 2019, the carrying amount of the District's cash deposits was \$8,966,764 and the bank balance was \$13,451,364. At year end, the District included cash equivalents in its cash accounts and reported a balance of \$25,191,098. The District's deposits at August 31, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Note 1 - Summary of Significant Accounting Policies (continued)

Cash in Bank Depository and Investments (continued)

The cash and cash equivalents amounts were composed of the following:

	Cash	Investments	Total
General Fund	\$ -	\$ 204,328,952	\$ 204,328,952
Debt Service Fund	408,514	45,761,301	46,169,815
Capital Projects Fund	5,792,659	319,587,506	325,380,165
Non-major Governmental Funds	15,912,623	-	15,912,623
Internal Service Fund	64,071	3,735,693	3,799,764
Total Governmental Activities	<u>22,177,867</u>	<u>573,413,452</u>	<u>595,591,319</u>
Agency Funds	3,013,231	-	3,013,231
Total	<u>\$ 25,191,098</u>	<u>\$ 573,413,452</u>	<u>\$ 598,604,550</u>

The following table includes the portfolio balance, credit rating and percentage of the portfolio balance by investment type and weighted average days to maturity of investment held by the District as of August 31, 2019:

Investment Type	Fair Value	S&P Credit Quality Ratings	Percentage of Investments	Weighted Average Maturity (Days)
Certificates of Deposit	\$ 31,716,076	N/A	5.53%	151
Money Market	71,149,302	N/A	12.41%	1
Total	<u>102,865,378</u>		<u>17.94%</u>	41
Local Government Investment Pools *				
TexPool	387,413,448	AAAm	67.56%	38
TexPool Prime	29,452,219	AAAm	5.14%	31
Total	<u>416,865,667</u>		<u>72.70%</u>	38
Investments-Securities:				
Securities of U.S. Government Agencies:				
Federal Farm Credit Bank	12,889,921	AA+	2.25%	100
Federal Home Loan Bank	9,850,184	AA+	1.72%	92
Federal National Mortgage Association	21,043,070	AA+	3.67%	216
Federal Home Loan Mortgage Corp	2,995,253	AA+	0.52%	255
Total	<u>46,778,428</u>		<u>8.16%</u>	160
U.S. Treasury Securities	6,903,979	AA+	1.20%	2
Total Investments	<u>\$ 573,413,452</u>		<u>100.00%</u>	48

* Per GASB 79, valued at amortized cost.

Note 1 - Summary of Significant Accounting Policies (continued)

Cash in Bank Depository and Investments (continued)

Investments' fair value input levels are as follows at August 31, 2019:

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ -	\$ 31,716,076	\$ -	\$ 31,716,076
Money Market	-	71,149,302	-	71,149,302
State and Local Agencies	-	-	-	-
US Government and Agency Securities	-	53,682,407	-	53,682,407
Total	<u>\$ -</u>	<u>\$ 156,547,785</u>	<u>\$ -</u>	<u>\$ 156,547,785</u>

Credit Risk- Texas state law and the Lewisville ISD's Board adopted Investment Policy place high credit quality as a priority in its investment process. Credit minimums are set for appropriate invest types and a procedure is included in the policy for monitoring, disclosing and acting on credit downgrades. All time and demand deposits are required to be FDIC insured or collateralized to 102% (or 110% if mortgage-backed securities). They must be in eligible depositories doing business in Texas and be under the terms of a written collateral agreement. The maximum maturity on depository CD as stated in the Policy is one (1) year. The bank is contractually liable for monitoring and maintaining the collateral margins.

Brokered CD securities must be FDIC insured and delivered versus payment to the District's depository. Maximum maturity of one year and FDIC insurance must be verified before purchase.

State law and the Lewisville ISD adopted Investment Policy limit repurchase agreements to Texas banks and primary dealers. State law and the Policy require a defined termination date, an industry standard, written master repurchase agreement, independent safekeeping of collateral, and a 102% margin on collateral. Fully collateralized flex repurchase agreements are restricted by the Policy to the use of bond funds and are restricted to being matched to bond proceeds expenditures plans. The term of any reverse security repurchase agreement may not exceed ninety (90) days after the date of delivery.

Obligations of the State of Texas or its agencies and instrumentalities or obligations of other states, agencies, counties, cities and other political subdivisions rated as to investments quality by a nationally recognized rating firm (NRSRO) not less than AA or its equivalent are authorized. Debt obligations have a maximum maturity of three years.

AAA-rated, local government investment pools striving to maintain a \$1 net asset value as defined by state law (2256.016) and approved by the District's adopted policy are authorized. By State law all local government pools are rated AAA or equivalent by at least one NRSRO.

The District's Investment Policy requires SEC registered money market funds to be AAA-rated and to strive to maintain at \$1 NAV.

Note 1 - Summary of Significant Accounting Policies (continued)

Cash in Bank Depository and Investments (continued)

Concentration of Credit Risk - Lewisville ISD's adopted Investment Policy requires diversification which is monitored on at least a monthly basis. The Policy requires the following diversification:

	<u>Maximum % of Portfolio</u>
U.S. Treasury Obligations	100%
U.S. Agency Obligations	80%
Commercial Paper	25%
Constant Dollar Pools	100%
Repurchase Agreements	100%
Certificates of Deposit	40%
Brokered Certificate of Deposit Securities	20%
Municipal Obligations	35%

Interest Rate Risk - In order to limit interest and market rate risk from changes in interest rates, Lewisville ISD's adopted Investment Policy sets a maximum maturity of three (3) years and a maximum weighted average maturity (WAM) of 365 days on the total portfolio. Escrow sinking funds will be invested with a maximum maturity matching the termination date of the escrow.

Custodial Credit Risk- To control custody risk State law and the District's adopted Investment Policy require collateral for all time and demand deposits and repurchase agreements with securities transferred only on a delivery versus payment basis and held by an independent party approved by the District and held in the District's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions and position descriptions including fair value. Repurchase agreements and deposits must be collateralized to 102% and time and demand deposits collateralized to 102% (with 110% on mortgaged-backed securities). Transactions are required to be executed under a written collateral and/or repurchase agreement. The counter-party of each type transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

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 the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies. Investments are recorded at fair value. Fair value is determined by the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Note 1 - Summary of Significant Accounting Policies (continued)

Cash in Bank Depository and Investments (continued)

As of August 31, 2019, the District's investments consisted of balances held by Certificate of Deposits, Texas Local Government Investment Pool (TexPool), U.S. Governmental Agencies, Money Market funds and State and Local agencies.

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (the Trust Company) to provide a safe environment for the placement of local government funds. The portfolio consists of U.S. Treasury and government agency securities, repurchase agreements, certain mutual funds, collateralized repurchase and reverse repurchase agreements, no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized statistical rating organization, securities lending programs, and certificates of deposit. TexPool is overseen by the State Comptroller of Public Accounts and administered by Federated Investors, Inc. The State Street Bank is the custodial bank. TexPool follows chapter 2256 of the Texas Public Funds Investment Act. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District's investments in TexPool are stated at amortized cost, which approximates fair value.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

The District is invested in several Money Market accounts at Wells Fargo, East West Bank, First Financial Bank, Nexbank and Bank of Texas. Money Markets are a type of savings account that usually pays a higher interest rate. These funds are considered liquid and the District's Money Market funds are reported at fair value using Level 2 inputs.

The District invested in U.S. Government Agencies and State and Local agencies in which the carrying value reflects the fair value of the investments and are reported as Level 2 inputs.

Interfund Transactions

Interfund receivables and payables arise from interfund transactions in the normal course of operations and are recorded in all affected funds in the period in which transactions are executed. Interfund transfers arise from the need to move cash from bank accounts. See Note 11 for additional discussion of interfund transactions.

Inventories

Technology and food commodities are carried in an inventory account at cost, using the first-in, and first-out method of accounting. Maintenance is carried using average cost method. Inventories are recorded as expenses when consumed on the government-wide financial statements and as expenditures when purchased on the fund financial statements. Although food commodities are received at no cost, their fair value is supplied by the Texas Department of Human Resources and recorded as inventory. In the governmental funds, a non-spendable fund balance indicates that they are unavailable as current expendable financial resources.

Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded using the consumption method in both government-wide and fund financial statements. The prepaid items have been identified as a non-spendable fund balance since it is not available for other subsequent expenditures.

Note 1 - Summary of Significant Accounting Policies (continued)

Cash in Bank Depository and Investments (continued)

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of one year or more. However, all land and land improvements are capitalized regardless of the amount. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend the life of assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed.

All capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful life of the related capital asset. Depreciation is computed using the straight line method based on the estimated life as follows:

Assets	Estimated Life
Land improvements	10-20 years
Buildings and improvements	10-50 years
Vehicles	6years
Furniture and Equipment	5-20 years

Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, discounts, and losses on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period it occurs.

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

Compensated Absences

Employees are allowed to accrue five days of state personal leave each year without limit. The District pays a portion of accrued personal leave to retiring personnel meeting state eligibility requirements for retirement. The payment is limited to one-half of the current salary rate for the accumulated personal days. The District reflects accumulated personal leave in the government-wide financial statements. Personal leave is paid out of the fund to which the employee's salary relates, the majority of which has historically been the General Fund.

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the financial position as described below:

A deferred outflow of resources is a consumption of a government's net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

- Deferred outflows or resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred outflows of resources for other post-employment benefits (OPEB) other than pension – Reported in the government wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on OPEB plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District's proportional share of OPEB liabilities. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB investments will be amortized over a closed five year period. The remaining postemployment related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan.

A deferred inflow of resources is an acquisition of a government's net positions (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources (continued)

- Deferred inflows of resources for pension – reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the District's proportional share of pension liabilities. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred inflows of resources for OPEB – Reported in the government wide financial statement of net position, this deferred inflow results primarily from 1) changes in actuarial assumptions; and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan.

Fund Balance and Net Position

Governmental Accounting Standards Board Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," provides more defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints.

Governmental Fund Financial Statements

In the fund financial statements, governmental funds report fund balances as non-spendable, restricted, committed, assigned or unassigned.

Non-Spendable fund balances are amounts that are not in spendable form or required to be maintained intact. Inventory and prepaid items have been properly classified as such.

Restricted is that portion of fund equity which has limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments.

Committed is that portion of fund equity which has limitations imposed by the Board of Trustees. To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. The Board committed 100% of the ending fund balance in the Campus Activity Funds for use by the respective campus

Assigned is that portion of fund equity that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by a designee that has been granted the authority by the Board. The District did not have any assigned fund balances as of August 31, 2019. In addition, the Board assigned an amount equivalent to three months operating expenditures in the General Fund and an amount equivalent to ten percent of the annual debt service on bonds approved by the voters as Minimum Fund Balances. The Minimum Fund Balance Policy was approved to set aside resources to maintain liquidity and to cover unanticipated deficits of revenue reductions that may be caused by adverse economic conditions.

Note 1 - Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements (continued)

Unassigned is that portion of fund equity that is available for any legal purpose. The general fund is the only fund that will have an unassigned amount. If other governmental funds incur expenditures for specified purposes that exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance. The order of spending and availability of the fund balances shall be to reduce funds in the following order: restricted, committed, assigned, and unassigned.

When the District incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first unless unrestricted net position will have to be returned because they were not used. Net position on the Statement of Net Position includes the following:

Net Investment in Capital Assets - The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction, or improvement of these capital assets.

Restricted net position - The component of net position calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

Unrestricted - The difference between the assets and liabilities that is not reported Investment in Capital Assets and Restricted Net Position.

Self-insured Workers' Compensation

On September 1, 1990, the District established a self-funding Workers' Compensation program. The District maintains a self-insured retention of \$500,000 per occurrence. The District currently purchases specific excess coverage to statutory limits from an insurance company that does not have a maximum amount. The District also maintains a self-insured retention of \$2,242,718 for aggregate claims. An aggregate policy from the Insurance Company provides \$1,000,000 in excess of the retention amount. Total claims exceeding the maximum aggregate policy amount become the responsibility of the District. Claims administration was provided by Edwards Claims Administration of Marble Falls, Texas.

At August 31, 2019, the accrued liabilities for Workers' Compensation self-insurance of \$1,348,724, which includes incurred but not reported (IBNR) claims. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount. The liability booked was the undiscounted estimate of the actuary.

Changes in the workers' compensation claims liability paid during the year are as follows:

	Year Ended August 31, 2019	Year Ended August 31, 2018
Unpaid claims, beginning of year	\$ 1,583,116	\$ 1,728,653
Incurred claims (including IBNR's)	1,319,117	1,336,421
Claim payments and changes in estimate	(1,553,509)	(1,481,958)
Unpaid claims, end of fiscal year	<u>\$ 1,348,724</u>	<u>\$ 1,583,116</u>

Note 1 - Summary of Significant Accounting Policies (continued)

Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the current fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Since under Texas law, appropriations lapse at fiscal year-end, outstanding encumbrances are appropriately provided for in the subsequent fiscal years' budget to provide for the liquidation of the prior commitments. As of August 31, 2019, the District had encumbrances in the General Fund and Food Service program of \$3,650,265 and \$54,643, respectively that rolled over into the new fiscal year.

Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the Financial Accountability System Resource Guide. TEA requires school districts to display these codes in the financial statements submitted to them in order to ensure accuracy in building a statewide database for policy development and funding plans.

Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Pensions

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

Other Post-Employment Benefits

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

Note 2 - Budgetary Legal Compliance

During the fiscal year, the operating budget must be amended by the Board for changes that increase or decrease the original budget. All supplemental appropriations must be within limits of available revenues and fund equity. The following table summarizes changes to the originally adopted budgeted funds:

Fund	Appropriations as of September 01, 2018 (Original Budget)	Supplemental Appropriations and Revisions	Appropriations as of August 31, 2019 (Amended Budget)
General Fund	\$ 498,509,816	\$ 4,316,647	\$ 502,826,463
Food Service Fund	24,341,440	55,948	24,397,388
Debt Service Fund	138,895,565	5,000,000	143,895,565
Total Budgeted Funds	<u>\$ 661,746,821</u>	<u>\$ 9,372,595</u>	<u>\$ 671,119,416</u>

The increases in appropriations for the General Fund and Food Service Fund were mainly attributed to purchase orders. The Debt Service Fund increase was related to cash defeasance.

A reconciliation of fund balances for budgeted and unbudgeted special revenue funds is as follows:

Budget - Special Revenue Fund - Food Service	\$ 7,479,469
Unbudgeted Funds	<u>7,711,157</u>
All Special Revenue Funds	<u>\$ 15,190,626</u>

Note 3 - Property Taxes

The District's ad valorem property tax is levied each October 1 on the taxable value as of the prior January for all real and business personal property located in the District. The taxable value of the property tax roll upon which the levy was based for the 2018-19 fiscal year was \$38,727,053,641.

The tax rates assessed for the year ended August 31, 2019 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.3675 per \$100 valuation, respectively, for a total of \$1.4075 per \$100 valuation.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent by February 1 of the following year. Current tax collections for the year ended August 31, 2019 were 99.55% of the year-end adjusted tax levy.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of August 31, 2019, property taxes receivable, net of estimated uncollectible taxes, totaled \$4,527,514 and \$1,677,715 for the General and Debt Service Funds, respectively.

Note 4 - Due To/From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. All federal grants shown below are passed through the TEA and are reported on the financial statements as Due from Other Governments. The amounts due from Denton County are for the Juvenile Justice Alternative Education Program (JJAEP) and property taxes. Amounts due from federal and state governments as of August 31, 2019 are summarized below. Amounts are expected to be collected within two months after the District's fiscal year end.

Fund	Denton County	State Entitlements	Federal Grants	Total
General	\$ 61,013	\$ 2,873,066	\$ 45,043	\$ 2,979,122
Debt Service	22,977	-	-	22,977
Special Revenue	-	957,439	2,481,314	3,438,753
Total	\$ 83,990	\$ 3,830,505	\$ 2,526,357	\$ 6,440,852

Due to state represents payment due to the state for sales tax and overpayment of the foundation allotment. Amount due to other represents taxes collected from the purchase of land and due to the County.

Amounts due to local and state governments as of August 31, 2019 are summarized below.

Fund	State	Other	Total
General	\$ 916,018	\$ 1,153,415	\$ 2,069,433
Debt Service	-	406,255	406,255
Special Revenue	3,963	-	3,963
Total	\$ 919,981	\$ 1,559,670	\$ 2,479,651

Note 5 - Capital Assets

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

	Balance September 1, 2018	Additions	Deletions	Transfers	Balance August 31, 2019
Capital assets, not being depreciated:					
Land	\$ 111,886,031	\$ -	\$ 650,000	\$ -	\$ 111,236,031
Construction in progress	15,780,221	83,353,424	-	(12,144,391)	86,989,254
Total Capital Assets, not being depreciated	127,666,252	83,353,424	650,000	(12,144,391)	198,225,285
Capital assets, being depreciated:					
Buildings and improvements	1,348,774,182	46,635,666	8,698,141	12,144,391	1,398,856,098
Vehicles	3,925,480	338,055	244,314	-	4,019,221
Furniture and equipment	24,531,720	1,727,278	918,370	-	25,340,628
Total Capital Assets, being depreciated	1,377,231,382	48,700,999	9,860,825	12,144,391	1,428,215,947
Less accumulated depreciation for:					
Buildings and improvements	438,785,423	35,567,557	4,709,380	-	469,643,600
Vehicles	2,624,878	335,669	244,314	-	2,716,233
Furniture and Equipment	14,120,182	1,986,022	678,695	-	15,427,509
Total Accumulated Depreciation	455,530,483	37,889,248	5,632,389	-	487,787,342
Governmental activities capital assets, net	921,700,899	10,811,751	(4,228,436)	12,144,391	940,428,605
Governmental Capital Assets	\$ 1,049,367,151	\$ 94,165,175	\$ (3,578,436)	\$ -	\$ 1,138,653,890

Note 5 - Capital Assets (continued)

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

<u>Governmental Activities:</u>	
Instruction and Instructional Related Services	\$ 22,473,208
Instructional and School Leadership	1,242,872
Support Services Student (Pupil)	7,974,616
Administrative Support Services	197,830
Support Services - Non-student Based	5,157,771
Ancillary Students	842,951
Total depreciation expense - governmental activities	<u>\$ 37,889,248</u>

Construction in Progress

A summary of capital projects having construction in progress as of August 31, 2019, follows:

	Authorized Contract	Construction in Progress	Remaining Commitment
New Career Center West	\$ 49,005,256	\$ 19,726,043	\$ 29,279,213
New Mill Street Elementary	34,243,992	29,493,448	4,750,544
Forestwood MS Exterior Lighting	96,737	49,942	46,795
Hebron High Exterior Lighting	406,029	202,691	203,338
Timber Creek ES Exterior Lighting	29,682	17,269	12,413
Ethridge ES Exterior Lighting	53,468	28,404	25,064
Parkway ES Exterior Lighting	67,896	52,478	15,418
Forest Vista ES Exterior Lighting	95,554	63,005	32,549
Bridlewood Es Exterior Lighting	89,702	63,024	26,678
Wellington ES Exterior Lighting	87,445	52,421	35,024
Southridge Es Exterior Lighting	66,825	38,366	28,459
Distribution Ctr Exterior Lighting	75,461	53,484	21,977
New Hedrick MS	57,183,107	10,183,052	47,000,055
New Josey Elementary School	1,885,767	1,491,768	393,999
Central ES Refresh	2,208,943	1,523,450	685,493
Degan ES Refresh	8,241,314	4,147,664	4,093,650
Parkway ES Refresh	8,600,738	4,449,716	4,151,022
Timber Creek ES Refresh	8,941,736	2,516,869	6,424,867
LISDOLA Renovations	245,742	129,499	116,243
College St/Sp Ed Renovation	177,631	144,462	33,169
Renovation Campus Support Bldg/Facility	22,962	11,377	11,585
HHS Multipurpose Facility	25,536,303	2,200,855	23,335,448
HHS IAC	4,417,721	307,524	4,110,197
TCHS Entry Expansion	2,448,528	819,533	1,628,995
TCHS Limited Refresh	3,054,032	133,971	2,920,061
Arbor Creek MS Fine Arts addition	130,036	74,943	55,093
Briarhill MS Fine Arts addition	122,718	68,144	54,574
Downing MS Fine Arts addition	123,877	69,251	54,626
Valley Ridge ES Refresh	7,346,104	3,142,925	4,203,179
Valley Ridge ES STEM renovation	437,592	195,466	242,126
HHS Practice Field Redesign	4,044,165	2,397,809	1,646,356
MHS Wind/Hail Damage	6,834,617	3,140,401	3,694,216
Total	<u>\$ 226,321,680</u>	<u>\$ 86,989,254</u>	<u>\$ 139,332,426</u>

Note 6 - Defined Benefit Pension Plan

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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 https://www.trs.texas.gov/TRS%20Documents/cafr_2018.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

Note 6 - Defined Benefit Pension Plan (continued)

Contributions (continued)

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	Contribution Rates		
	Plan Fiscal Year		
	2019	2018	
Member	7.70%	7.70%	
Non-Employer Contributing Entity (NECE) - State	6.80%	6.80%	
Employers (District)	6.80%	6.80%	

	Measurement Year (2018)		Fiscal Year (2019)
	Contributions Required and Made	Pension Expense	TRS Contributions
Member (Employee) contributions	\$ 26,155,016	\$ -	\$ 26,440,687
Non-employer (State) on-behalf contributions	16,109,290	26,067,194	16,555,192
Employer (District) contributions	10,523,578	24,432,687	10,762,882

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

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

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

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

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

Note 6 - Defined Benefit Pension Plan (continued)

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled Forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate	3.69%
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary Increase including inflation	3.05% to 9.05%, including Inflation
Ad hoc post-employment benefit changes	None

* Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

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

Discount Rate

The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018, are summarized below:

Note 6 - Defined Benefit Pension Plan (continued)

Discount Rate (continued)

<u>Asset Class</u>	<u>Target Allocation¹</u>	<u>Long-Term Expected Arithmetic Real Rate of Return²</u>	<u>Expected Contribution to Long-Term Portfolio Returns</u>
Global Equity			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag ³			-0.79%
Total	<u>100.00%</u>		<u>7.25%</u>

1 Target allocations are based on the FY2016 policy model.

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

3 The volatility drag results from the conversion between arithmetic and geometric mean returns..

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability.

	<u>1% Decrease in Discount Rate (5.907%)</u>	<u>Discount Rate (6.907%)</u>	<u>1% Increase in Discount Rate (7.907%)</u>
District's proportionate share of the net pension liability:	\$ 259,508,059	\$ 171,946,208	\$ 101,059,696

Note 6 - Defined Benefit Pension Plan (continued)

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

At August 31, 2019, the District reported a liability of \$171,946,208 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportion of the net pension liability	0.3124%
District's proportionate share of the collective net pension liability	\$ 171,946,208
State's proportionate share that is associated with the District	<u>263,375,895</u>
Total	<u>\$ 435,322,103</u>

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

At August 31, 2018, the District's proportion of the collective net pension liability was 0.3124% which was an increase of 0.0011% from its proportion measured as of August 31, 2017.

Change Since the Prior Actuarial Valuation

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

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

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

For the year ended August 31, 2019, the District recognized pension expense of \$50,499,881 and revenue of \$26,067,194 representing pension expense incurred by the State on behalf of the District.

Note 6 - Defined Benefit Pension Plan (continued)

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,071,772	\$ (4,218,881)
Changes in actuarial assumptions	61,994,890	(1,937,342)
Difference between projected and actual investment earnings	-	(3,262,556)
Changes in proportion and difference between employer contributions and proportionate share of contributions	14,092,274	(4,744)
District contributions subsequent to the measurement date	10,762,882	-
Total	\$ 87,921,818	\$ (9,423,523)

Deferred outflows of resources resulting from District contributions subsequent to the measurement date in the amount of \$10,762,882 will be recognized as a reduction of the net pension liability in the year ended August 31, 2020. The net amounts of the District'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
2020	\$ 18,427,181
2021	11,561,373
2022	9,622,751
2023	10,905,906
2024	10,385,014
Thereafter	6,833,188
	\$ 67,735,413

Note 7 - Defined Other Post-Employment Benefit Plans

A. Plan Description

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

B. 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 https://www.trs.texas.gov/TRS%20Documents/cafr_2018.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Note 7 - Defined Other Post-Employment Benefit Plan (continued)

C. Benefits Provided

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

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

D. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 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>2019</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%

Note 7 - Defined Other Post-Employment Benefit Plan (continued)

	Contributions		TRS Care
	Required and Made	OPEB Expense	Contributions
Member (Employee)	\$ 2,207,891	\$ -	\$ 2,232,007
Non-employer contributing agency (State)	4,074,605	10,742,522	4,120,391
District	2,730,507	6,100,491	2,757,820

In addition to the employer contributions listed above, employers are subject to an additional surcharge. When employers hire a TRS retiree, they are required to pay to TRS-Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

E. Actuarial Assumptions

The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in this OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in this report.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The Post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

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

Note 7 - Defined Other Post-Employment Benefit Plan (continued)

	August 31, 2018
Actuarial Cost method	Individual Entry Age Normal
Inflation	2.30%
Single Discount rate *	3.69%
Aging factors	Based on plan specific experience
Expenses	Third-party administrative expenses to the delivery of health care benefits are included in the age adjusted claims costs.
Payroll growth rate	2.50%
Projected salary increases**	3.05% to 9.05%
Healthcare trend rates***	6.75% to 107.74%
Election rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

* 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, 2018.

** Includes Inflation at 2.30%

*** Initial medical trend rates of 107.74 percent and 9.00 percent for Medicare retirees and an initial medical trend rate of 6.75 percent for non-Medicare retirees.

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

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

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

F. Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of 0.27% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 7 - Defined Other Post-Employment Benefit Plan (continued)

G. Sensitivity of the Net OPEB Liability

Discount Rate - The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

<u>Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumptions</u>		
<u>1% Decrease in Discount Rate (2.69%)</u>	<u>Current Discount Rate (3.69%)</u>	<u>1% Increase in Discount Rate (4.69%)</u>
\$ 235,248,053	\$ 197,630,380	\$ 167,872,375

Healthcare Cost Trend Rates – The following presents the District’s proportional share of 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:

<u>Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions</u>		
<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
\$ 164,135,249	\$ 197,630,380	\$ 241,744,191

At August 31, 2019, the District reported a liability of \$197,630,380 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 197,630,380
State's proportionate share that is associated with District	295,335,221
Total	<u>\$ 492,965,601</u>

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

At August 31, 2018 the District’s proportion of the collective Net OPEB Liability was 0.3958% which was an increase of 0.0169% from its proportion measured as of August 31, 2017.

Note 7 - Defined Other Post-Employment Benefit Plan (continued)

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

Changes Since the Prior Actuarial Valuation

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the TOL.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the TOL.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the TOL.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

For the year ended August 31, 2019, the District recognized OPEB expense of \$6,100,491 and revenue of \$10,742,522 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,487,509	\$ (3,118,898)
Changes in actuarial assumptions	3,297,916	(59,376,589)
Difference between projected and actual investment earnings	34,563	-
Changes in proportion and difference between the employer contributions and the proportionate share of contributions	9,266,766	-
Contributions paid to TRS subsequent to the measurement date	2,757,820	-
Total	\$ 25,844,574	\$ (62,495,487)

Note 7 - Defined Other Post-Employment Benefit Plan (continued)

The \$2,757,820 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending August 31, 2020. The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended</u> <u>August 31:</u>	<u>OPEB Expense</u> <u>Amount</u>
2020	\$ (6,625,481)
2021	(6,625,481)
2022	(6,625,481)
2023	(6,632,017)
2024	(6,635,756)
2025	(6,264,517)
	<u>\$ (39,408,733)</u>

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care retiree drug subsidy payments are made by the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2019, 2018 and 2017, the subsidy payments received by TRS-Care on behalf of the District are as follows:

<u>Fiscal Year</u>	<u>Medicare Part D</u>
2019	\$ 1,314,781
2018	1,042,862
2017	996,618

These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

Note 8 - Deferred Compensation Plan

Employees of the District may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plan with Respect to Service for State and Local Governments). An unrelated financial institution, JEM Resource Partners, Inc. administers the Plan.

The deferred compensation plan is available to all employees of the District who are not covered under the State Retirement Plan. Under the plan, employees defer 7.5% of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, or death.

As part of its fiduciary role, the District has an obligation of due care in selecting the third-party administrator. In the opinion of the District's legal counsel, the District has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

As a result of legislative changes, all amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to these amounts, property, or rights are held in trust for the exclusive benefits of participants and their beneficiaries and are not included in the financial statements of the District.

Note 9 - Long-Term Debt

Long-term debt includes par bonds and capital appreciation (deep discount) serial bonds. Bond premiums and discounts are amortized using the effective interest method.

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

The 1996, 2003, 2014B and 2015 bond series included outstanding capital appreciation bonds in the principal amount of \$10,326,037. The bonds mature variously through 2022. Interest accrues on these bonds each February 15 and August 15, even though the interest is not paid until maturity.

Debt service requirements to maturity are summarized as follows:

Year Ended August 31:	Principal	Interest *	Requirements
2020	\$ 85,508,440	\$ 60,346,570	\$ 145,855,010
2021	88,855,233	56,762,764	145,617,997
2022	72,602,363	73,168,864	145,771,227
2023	96,605,000	42,518,981	139,123,981
2024	101,455,000	37,990,971	139,445,971
2025-2029	563,335,000	118,909,028	682,244,028
2030-2034	159,235,000	35,184,584	194,419,584
2035-2039	102,340,000	11,446,764	113,786,764
	<u>\$ 1,269,936,036</u>	<u>\$ 436,328,526</u>	<u>\$ 1,706,264,562</u>

* Interest on Build America Bonds (BABs) amounts are included.

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Exhibit F-1

Note 9 - Long-Term Debt (continued)

Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2019.

The following is a summary of the changes in the District's outstanding debt as of August 31, 2019:

Description	Issued Amount	Interest Rate Payable	Amounts Outstanding 9/1/2018	Issued Current Year	Interest Accretion	Retired/ Refunded	Amounts Outstanding 8/31/2019	Due Within One Year
1996 Refunding Bond	\$ 49,353,358	4.40 - 6.38%	\$ 5,194,338	\$ -	\$ -	\$ 1,850,665	\$ 3,343,673	\$ 1,728,440
2003 Unlimited Tax/Refunding	758,544	2.50 - 5.00%	351,626	-	-	-	351,626	-
2010 Qualified Sch Const Bonds	29,900,000	6.88%	29,900,000	-	-	-	29,900,000	-
2010B Build America Bonds	25,055,000	5.974 - 6.024%	25,055,000	-	-	-	25,055,000	-
2011 Unlimited Tax	48,685,000	2.25 - 4.75%	2,045,000	-	-	2,045,000	-	-
2011 Refunding Bond	27,770,000	2.50 - 2.00%	12,330,000	-	-	7,240,000	5,090,000	1,710,000
2012 Unlimited Tax Bonds	28,620,000	3.00 - 4.00%	1,360,000	-	-	1,360,000	-	-
2012A Unlimited Tax/Refunding	100,105,000	3.00 - 5.00%	41,900,000	-	-	5,490,000	36,410,000	5,760,000
2012B Unlimited Refunding	22,465,000	2.00 - 5.00%	11,265,000	-	-	-	11,265,000	-
2012C Unlimited Tax Bonds	33,715,000	2.00 - 4.00%	28,070,000	-	-	1,225,000	26,845,000	1,275,000
2013A Unlimited Tax Refunding	39,635,000	3.00 - 5.00%	26,765,000	-	-	7,685,000	19,080,000	8,075,000
2013B Unlimited Tax Refunding	22,865,000	4.00 - 5.00%	20,595,000	-	-	2,360,000	18,235,000	2,455,000
2013C Unlimited Tax Refunding	5,560,000	.34 - 2.57%	3,310,000	-	-	520,000	2,790,000	540,000
2013D Unlimited Tax	78,560,000	2.00 - 4.00%	57,140,000	-	-	4,120,000	53,020,000	4,190,000
2013E Unlimited Tax	67,435,000	3.00 - 5.00%	44,110,000	-	-	1,110,000	43,000,000	1,145,000
2014A Unlimited Tax Bonds	96,330,000	2.00 - 4.00%	82,945,000	-	-	3,695,000	79,250,000	3,770,000
2014B Unlimited Tax Refunding	54,338,570	5.00%	54,338,570	-	-	-	54,338,570	-
2015 Unlimited Tax Refunding	64,232,167	2.00 - 5.00%	63,397,167	-	-	320,000	63,077,167	330,000
2016A Unlimited Tax Refunding	250,350,000	1.00 - 5.00%	218,230,000	-	-	23,825,000	194,405,000	27,085,000
2016B Unlimited Tax Refunding	84,215,000	2.00 - 5.00%	82,265,000	-	-	2,215,000	80,050,000	2,285,000
2017 Unlimited Tax Refunding	68,850,000	2.00 - 5.00%	61,830,000	-	-	2,495,000	59,335,000	6,425,000
2017 Unlimited Tax	193,950,000	2.00 - 5.00%	185,445,000	-	-	8,945,000	176,500,000	9,215,000
2017A Unlimited Tax Refunding	61,165,000	2.00 - 5.00%	60,090,000	-	-	-	60,090,000	1,200,000
2018 Unlimited Tax Refunding	8,905,000	5.00%	8,575,000	-	-	2,385,000	6,190,000	-
2018 Unlimited Tax	117,210,000	3.00 - 5.00%	117,210,000	-	-	4,660,000	112,550,000	5,040,000
2019 Unlimited Tax	109,765,000	3.00 - 5.00%	-	109,765,000	-	-	109,765,000	3,280,000
Bonded Indebtedness			1,243,716,701	109,765,000	-	83,545,665	1,269,936,036	85,508,440
Accreted Interest and CAB premium			41,926,935	-	2,282,552	7,064,335	37,145,152	6,644,296
Bond Premium			102,106,288	16,106,114	-	16,888,973	101,323,429	-
Accrued Compensated Absences			2,736,876	500,589	-	405,471	2,831,994	386,437
Total Obligations			<u>\$ 1,390,486,800</u>	<u>\$ 126,371,703</u>	<u>\$ 2,282,552</u>	<u>\$ 107,904,444</u>	<u>\$ 1,411,236,611</u>	<u>\$ 92,539,173</u>

The District issued \$109,765,000 in Unlimited Tax School Building Bonds, Series 2019 with interest rates of 3.00% to 5.00% to construct, renovate, acquire and equip school buildings in the District and purchase necessary sites for school buildings and to pay costs of issuance of the bonds.

During the fiscal year the District had a \$5,555,000 early redemption (defeasance) of Unlimited Tax Refunding Bonds, Series 2011. The District recorded the cash defeasance as debt service principal expenditures in the fund financial statements. The amount of interest saving as a result of the early redemption was \$1,233,200.

The District in 2010 issued bonds that are considered Build America Bonds (BABS), which provide for a direct reimbursement of up to 35 percent of the interest paid on the bonds. The District received \$493,490 in subsidy payments from the federal government during the fiscal year ended August 31, 2019 for the BABS.

Note 9 - Long-Term Debt (continued)

Qualified School Construction Bonds

Qualified School Construction Bonds ("QSCB's") are tax-credit bonds authorized through the American Recovery and Reinvestment Act. The QSCB program provides school districts the opportunity to issue interest free or very low interest bonds to finance the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed. Purchasers of QSCB's issued in 2009 receive a federal tax credit instead of interest payments. Purchasers of QSCB's issued in 2010 receive interest payments from the issuer, and the issuer can elect to receive subsidy payments from the federal government equal to the lesser of (i) the amount of interest payable under such bond on such date, or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under section 54A(b)(3) of the Internal Revenue Code with respect to such bonds.

The District is scheduled to make annual deposits into trust accounts for the Qualified School Construction Bonds (QSCBs), Series 2010. These annual deposits plus the interest earned on the trust accounts will be used to pay off the debt upon maturity June 2026. The District accounts for these trust accounts as *Restricted Cash and Investments* on both the Statement of Net Position (Exhibit A-1) and in the Debt Service fund on the Governmental Funds Balance Sheet (Exhibit C-1). The investments are recorded at fair market value.

Note 10 - Debt Issuances and Defeased Debt

In prior years and in the current year, the District issued refunding bonds for the purpose of generating resources and decreasing the total debt service payments. Placing the proceeds of the refunding bonds in an irrevocable trust has provided for all future debt service payments on the original bonds. Accordingly, the escrow accounts to provide for all future debt service payments are not included in the District's financial statements. As of August 31, 2019, the outstanding balance of defeased bonds is \$239,045,000.

Note 11 - Interfund Transactions

Receivables and payables:

Interfund balances at August 31, 2019, consisted of the following individual fund receivables and payables are as follows:

Fund	Receivable	Payable
General Fund	\$ 1,424,590	\$ 260,870
Special Revenue Funds:		
Non-major Federal Funds	-	1,424,590
Internal Service Fund	260,870	-
Total	\$ 1,685,460	\$ 1,685,460

The outstanding balances between funds result mainly from the time lag between the dates expenditures occur and receipt of cash that originates in the ordinary course of operations. The cash transfers between funds to eliminate deficit cash have been eliminated on the government-wide statement of net position.

Note 11 - Interfund Transactions

Interfund transfers are defined as “flow of assets without equivalent flows of assets in return and without a requirement of repayment.” Interfund transfers during the year ended August 31, 2019, were as follows.

	<u>Transfer In</u>	
	<u>Child Nutrition Fund</u>	<u>Total</u>
<u>Transfer Out</u>		
General Fund	\$ 11,222	\$ 11,222
	<u>\$ 11,222</u>	<u>\$ 11,222</u>

General Fund transferred funds to the Child Nutrition Fund to cover the operations.

Note 12 - Litigation and Contingencies

The District is a party to various legal actions, none of which are believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying basic financial statements for such contingencies.

The District participates in numerous State and Federal grant programs that 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, 2019 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments that exceed bond issue stated interest rates. There is a complicated formula based on a five year history, therefore the exact amount of liability, if any, is not known until five years from the bond issuance date. This calculation yielded no known material rebate liability at August 31, 2019.

Note 13 - Revenues From Local Sources

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

	General Fund	Debt Service Fund	Capital Projects Funds	Special Revenue Funds	Total
Property Taxes	\$ 402,041,272	\$ 142,070,616	\$ -	\$ -	\$ 544,111,888
Food Sales	-	-	-	10,807,959	10,807,959
Investment Income	6,726,902	2,692,834	3,186,362	-	12,606,098
Penalties, interest and other tax related income	1,502,787	451,448	-	-	1,954,235
Co-curricular student activities	963,301	-	-	4,935,802	5,899,103
Tuition and fees	7,069,984	-	-	153,833	7,223,817
Rental Income	1,366,867	-	-	-	1,366,867
E-Rate	400,909	-	-	-	400,909
Donations	20	-	-	1,412,223	1,412,243
Other	1,224,267	6,132	6,561,353	148,703	7,940,455
Total	\$ 421,296,309	\$ 145,221,030	\$ 9,747,715	\$ 17,458,520	\$ 593,723,574

Note 14 - Unearned Revenues

Unearned revenues at August 31, 2019, represent funds received in advance prior to revenue recognition. A summary of unearned revenues at the fund level consist of the following:

	General Fund	Special Revenue Funds	Total
Student Lunches	\$ -	\$ 861,022	\$ 861,022
Other	2,563,766	-	2,563,766
Grant Advances	-	100,430	100,430
Total	\$ 2,563,766	\$ 961,452	\$ 3,525,218

Note 15 - Component Unit Disclosures

Organization and Nature of Activities

The Lewisville ISO Education Foundation, Inc. (Foundation) is a Texas nonprofit organization with the purpose of providing financial support to Lewisville Independent School District teachers and students. This purpose is accomplished by the Foundation receiving and managing cash donations from individuals and organizations, and awarding scholarships and grants.

Basis of Presentation

The financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues and related assets are recognized when earned, and expenses are recognized when the obligation is incurred. They are presented in accordance with the provisions of Financial Accounting Standards Board ("FASB") ASU No. 2016-14, "Not-For-Profit Entities".

Note 15 - Component Unit Disclosures

Basis of Presentation (continued)

FASB ASU 2016-14 establishes standards for general-purpose external financial statements for nonprofit organizations, including a statement of financial position, a statement of activities, a statement of functional expense and a statement of cash flows. FASB ASU 2016-14 requires the classification of net assets and its revenues, expenses, gains and losses into three categories, if applicable, based on existence or absence of donor-imposed restrictions. The categories are "without donor restrictions" and "with donor restrictions". Accordingly, net assets of the Foundation's and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. Included in this classification are net assets earmarked by the Board for future purposes, such as the Foundation's board-designation for scholarships and grants.

Net assets subject to purpose restrictions - Net assets subject to donor-imposed stipulations that specify a use that is more specific than broad limits relating to purposes under which the Foundation operates.

Net assets not subject to appropriation or expenditure - Net assets subject to donor-imposed restrictions that must be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use

Public Support and Revenue

In the absence of a donor's explicit stipulation or circumstances surrounding the receipt of a contribution that make clear the donor's implicit restriction on use, contributions are reported as revenues or gains without donor restrictions, which increase net assets without donor restrictions. All donor-restricted contributions are reported as either net assets subject to purpose restrictions or net assets not subject to appropriation or expenditure, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), such restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give are recorded as received. Contributions receivable due in the next year are recorded at their net realizable value. Contributions receivable due in subsequent years are recorded at the present value of their net realizable value, using interest rates applicable to the years in which the promises are received to discount the amounts. The calculated discount to present value was not materially different from the face value of the contributions receivable at December 31, 2018.

Foundation management evaluates the collectability of contributions on an ongoing basis and writes off any contributions receivable considered uncollectible. There was one contribution as of December 31, 2018 that was considered uncollectible and written off based on management's review, and is shown as a bad debt expense in the statement of activities.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Although individuals volunteer their time and perform a variety of tasks that assist the Foundation, these services do not meet the criteria for recognition as donated services.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments, primarily checking and money market accounts, to be cash equivalents. At December 31, 2018, the carrying amount of cash was \$502,445.

Note 15 - Component Unit Disclosures (continued)

Investments

Investments are presented in the financial statements at fair value. Realized and unrealized gains and losses on investments are reflected in the statement of activities. Purchases and sales of investments are recorded on the trade date. Investment income is recorded in the period when earned.

Investments as of December 31, 2018 are composed of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Certificates of deposit	\$ 106,795	\$ 106,795	\$ -
Corporate bonds	317,666	313,349	(4,317)
U.S. Government secured Obligations	587,181	579,078	(8,103)
Individual stocks	1,672,344	1,795,327	122,983
Mutual funds	303,131	258,227	(44,904)
Fixed income mutual funds	356,947	348,153	(8,794)
	<u>\$ 3,344,064</u>	<u>\$ 3,400,929</u>	<u>\$ 56,865</u>

The following table represents the Foundation's fair value hierarchy for its investments measured at fair value as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Government and Agency Securities	\$ 579,078	\$ -	\$ -	\$ 579,078
Equity securities	2,053,554	-	-	2,053,554
Fixed income securities	-	661,502	-	661,502
Certificates of Deposit	-	106,795	-	106,795
Total	<u>\$ 2,632,632</u>	<u>\$ 768,297</u>	<u>\$ -</u>	<u>\$ 3,400,929</u>

Restricted Net Position

Temporarily restricted net position consists of contributions from donors who have specified certain programs or scholarships within Lewisville ISD for use of the contributions. The following is endowment as of December 31, 2018:

Balance 12/31/17	\$ 2,353,514
Contributions	166,544
Amounts appropriated for expenditures	(8,000)
Reclassification from temporarily restricted	52,089
Balance 12/31/18	<u>\$ 2,564,147</u>

Permanently restricted net position consists of contributions from donors who have specified that the funds be invested in perpetuity, with earnings from the investments available for scholarships or grants.

Note 15 - Component Unit Disclosures (continued)

Contributions and Other Receivables

Unconditional promises to give as of December 31, 2018 are as follows:

Receivable in less than one year	\$ 5,895
Receivable in one to five years	<u>15,725</u>
Net Unconditional Promises to Give	<u><u>\$ 21,620</u></u>

Net Assets Without Donor Restrictions

Net assets without donor restriction at December 31, 2018 includes the following amounts designated by the Foundation's Board of Directors for grant endowment.

Silver Star Gala Grant	\$ 150,000
Silver Star Gala Scholarship	10,000
Earl Luna Memorial Grant	10,000
Pat Watts Honorary Grant	10,100
Janet Luttrell Honorary Grant	<u>10,000</u>
	<u><u>\$ 190,100</u></u>

Income Tax Status

The Foundation has received a letter of determination from the Internal Revenue Service advising that it qualifies as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to income tax. The Foundation is not a private foundation within the meaning of section 509(a) of the Internal Revenue Code.

Note 16 - Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of the amount earned on investments purchased with bond proceeds, over the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. The District has estimated that there is no arbitrage liability as of August 31, 2019.



REQUIRED SUPPLEMENTARY INFORMATION



LEWISVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
For the Last Five Measurement Years Ended August ⁽¹⁾

Exhibit G-1

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.3124%	0.3113%	0.3098%	0.3204%	0.2073%
District's proportionate share of the net pension liability	\$ 171,946,208	\$ 99,530,342	\$ 117,068,286	\$ 113,259,645	\$ 55,392,223
State's proportionate share of the net pension liability associated with the District	<u>263,375,895</u>	<u>159,361,843</u>	<u>191,175,104</u>	<u>180,104,882</u>	<u>159,733,876</u>
Total	<u>\$ 435,322,103</u>	<u>\$ 258,892,185</u>	<u>\$ 308,243,390</u>	<u>\$ 293,364,527</u>	<u>\$ 215,126,099</u>
District's covered payroll (for Measurement Year)	\$ 339,675,536	\$ 333,301,189	\$ 322,795,629	\$ 308,689,540	\$ 297,452,635
District's proportionate share of the net pension liability as a percentage of it's covered payroll	50.62%	29.86%	36.27%	36.69%	18.62%
Plan fiduciary net position as a percentage of the total pension liability*	73.74%	82.17%	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered payroll*	126.11%	75.93%	92.75%	91.94%	72.89%

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68

* Per Teacher Retirement System of Texas Comprehensive Annual Financial Report.

(1) Ten year of data should be presented in this schedule, but data was unavailable prior to 2014
Net pension liability and related ratios will be presented as data becomes available.

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
Teacher Retirement System of Texas
For the Last Six Fiscal Years

Exhibit G-2

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 10,667,951	\$ 10,618,509	\$ 10,201,918	\$ 9,843,086	\$ 8,805,304
Contributions in relation to the contractual required contributions	<u>10,667,951</u>	<u>10,618,509</u>	<u>10,201,918</u>	<u>9,843,086</u>	<u>8,805,304</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 343,385,560	\$ 339,675,536	\$ 333,301,189	\$ 322,795,629	\$ 308,689,540
Contributions as a percentage of covered payroll	3.11%	3.13%	3.06%	3.05%	2.85%
	<u>2014</u>				
Contractually required contributions	\$ 5,257,484				
Contributions in relation to the contractual required contributions	<u>5,257,484</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered payroll	\$ 297,452,635				
Contributions as a percentage of covered payroll	1.77%				

Note: The District began to report information when it implemented GASB Statement 68 in 2015.

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
For the Last Two Measurement Years Ended August ⁽¹⁾

Exhibit G-3

	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.3958%	0.3789%
District's proportionate share of the net OPEB liability	\$ 197,630,380	\$ 164,770,037
State's proportionate share of the net OPEB liability associated with the District	<u>295,335,221</u>	<u>266,112,828</u>
Total	<u>\$ 492,965,601</u>	<u>\$ 430,882,865</u>
District's covered employee payroll (for Measurement Year)	\$ 339,675,536	\$ 333,301,189
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	58.18%	49.44%
Plan fiduciary net position as a percentage of the total OPEB liability*	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered employee payroll*	146.64%	132.55%

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

* Per Teacher Retirement System of Texas' comprehensive annual financial report.

(1) Ten year of data should be presented in this schedule, but data was unavailable prior to 2017
Net OPEB liability and related ratios will be presented as data becomes available.

LEWISVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
Teacher Retirement System of Texas
For the Last Six Fiscal Years

Exhibit G-4

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 2,757,820	\$ 2,735,388	\$ 1,969,913	\$ 1,914,169	\$ 1,817,611
Contributions in relation to the contractual required contributions	<u>2,757,820</u>	<u>2,735,388</u>	<u>1,969,913</u>	<u>1,914,169</u>	<u>1,817,611</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 343,385,560	\$ 339,675,536	\$ 333,301,189	\$ 322,795,629	\$ 308,689,540
Contributions as a percentage of covered payroll	0.80%	0.81%	0.59%	0.59%	0.59%
	<u>2014</u>				
Contractually required contributions	\$ 1,659,888				
Contributions in relation to the contractual required contributions	<u>1,659,888</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered payroll	\$ 297,452,635				
Contributions as a percentage of covered payroll	0.56%				

(1) Ten year of data should be presented in this schedule, but data was unavailable prior to 2015
Net pension liability and related ratios will be presented as data becomes available.

Notes to Required Supplementary Information – Pension

Changes of Assumptions

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

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

Changes of Benefit Terms

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

Other Information

Effective September 1, 2014, employers who did not contribute to Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District's contributions into the Plan. Because the District's proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability.

Notes to Required Supplementary Information - OPEB

Changes of Assumptions

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the TOL.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the TOL.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the TOL.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

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

Changes in Benefit Terms

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. This change in plan benefits significantly lowered the OPEB liability and had an immediate effect on the OPEB expenses recognized by participating entities.

The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.