

LUFKIN INDEPENDENT SCHOOL DISTRICT

Lufkin, Texas

ANNUAL FINANCIAL REPORT

For The Year Ended August 31, 2019

TABLE OF CONTENTS

	<u>PAGE</u>	<u>EXHIBIT NO.</u>
INTRODUCTORY SECTION:		
Certificate of Board.....	4	
FINANCIAL SECTION:		
Independent Auditors' Report.....	6	
Management's Discussion and Analysis.....	8	
Basic Financial Statements:		
Statement of Net Position .....	14	A-1
Statement of Activities.....	15	B-1
Balance Sheet - Governmental Funds .....	16	C-1
Reconciliation of the Governmental Funds - Balance Sheet to the Statement of Net Position .....	17	C-1R
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	18	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19	C-3
Statement of Net Position - Proprietary Funds .....	20	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds .....	21	D-2
Statement of Cash Flows - Proprietary Funds .....	22	D-3
Statement of Fiduciary Net Assets - Fiduciary Funds.....	23	E-1
Notes to the Financial Statements.....	24	
Required Supplementary Information:		
General Fund - Budgetary Comparison Schedule .....	50	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher Retirement System of Texas .....	51	G-2
Schedule of District's Contributions - Teach Retirement System of Texas.....	52	G-3
Schedule of the District's Proportionate Share of OPEB Liability and District's OPEB Contributions.....	53	G-4
Notes to Required Supplementary Information.....	54	
Combining Statements as Supplementary Information:		
Combining Balance Sheet - Nonmajor Governmental Funds.....	56	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds.....	57	H-2
Combining Balance Sheet - Nonmajor Special Revenue Funds .....	58	H-3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds .....	62	H-4
OTHER SUPPLEMENTARY INFORMATION:		
Schedule of Delinquent Taxes Receivable.....	67	J-1
National School Breakfast and Lunch Program - Budgetary Comparison Schedule .....	69	J-2
Debt Service Fund - Budgetary Comparison Schedule.....	70	J-3
Capital Project Fund - Budgetary Comparison Schedule.....	71	J-4
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i> .....	72	
Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by Title 2 CFR Part 200 (Uniform Guidance).....	74	
Schedule of Findings and Questioned Costs .....	76	
Schedule of Prior Audit Findings .....	77	
Corrective Action Plan .....	78	
Schedule of Expenditures of Federal Awards.....	79	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	81	
Schedule of Required Responses to Selected School First Indicators .....	82	K-2

INTRODUCTORY SECTION

LUFKIN INDEPENDENT SCHOOL DISTRICT  
CERTIFICATE OF BOARD  
August 31, 2019

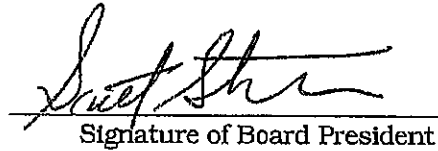
Lufkin Independent School District  
Name of School District

Angelina  
County

003-903  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2019, at a meeting of the Board of Trustees of such school district on the 16<sup>th</sup> day of January, 2020.

  
Signature of Board Secretary

  
Signature of Board President

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Lufkin Independent School District  
Lufkin, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Lufkin 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2019, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and pension and OPEB schedules 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 introductory and other supplementary information sections, which include the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis, and are not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2020, 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.

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
January 14, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Lufkin Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$8,222,735 as of August 31, 2019.
- During the year, the District's expenses were \$1,143,419 less than the \$95,078,596 generated in taxes and other revenues for governmental activities. The total cost of the District's programs was \$94,029,949.
- As of the close of the current fiscal year, the District's general fund reported a fund balance of \$23,249,450, a decrease of \$593,646 in comparison with the prior year.
- The District's total debt decreased by \$3,996,784 (5 percent) during the fiscal year. The key factor in this decrease was the payment of current amounts due.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts - **management's discussion and analysis** (this section), the **basic financial statements**, and **required supplementary information**. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The required supplementary information further explains and supports the information in the financial statements.

#### Government-wide Financial Statements

The District's annual financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's finances. Financial reporting at this level uses a perspective similar to that found in the private sector.

The first of these government-wide financial statements is the **Statement of Net Position**. This is the District wide statement of position presenting information that includes all of the District's assets and liabilities, with the difference reported as **net position**. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors such as changes to the District's tax base.

The second government-wide financial statement is the **Statement of Activities**, which reports how the District's net position changed during the current year. All current revenues and expenses are included regardless of when the cash is received or paid.

The government-wide financial statements of the District include the governmental activities of the District. These are the basic services such as instruction, extracurricular activities, curriculum and staff development, health services, and administration. Property taxes, state aid, and federal grants finance most of these activities.

#### Fund Financial Statements

The fund financial statements focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.

- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- The fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.



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

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

**The District has two kinds of funds:**

**Governmental funds** - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can 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 determine whether there are more or fewer financial resources that can be spent in the future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statement, or on the subsequent page, that explains the relationship (or differences) between them.

**Fiduciary funds** - The District is the trustee, or fiduciary, for money raised by student activities. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance operations.

The accompanying notes to the financial statements provide essential information to a full understanding of the government-wide and fund financial statements.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** The District's combined net position was \$8,222,735 and \$(10,280) as of August 31, 2019 for governmental activity and business type activity, respectfully. The following table provides a summary of the District's net position.

<b>The District's Net Position</b>				
	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 72 689 825	\$ 74 184 811	\$ 10 302	\$ -
Capital and non-current assets	72 936 699	73 309 498	-	-
TOTAL ASSETS	<u>145 626 524</u>	<u>147 494 309</u>	<u>10 302</u>	<u>-</u>
Deferred outflows	18 439 098	8 635 238	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>164 065 622</u>	<u>156 129 547</u>	<u>10 302</u>	<u>-</u>
Other liabilities	10 954 710	12 314 752	20 582	-
Long term liabilities	132 397 810	121 723 376	-	-
TOTAL LIABILITIES	<u>143 352 520</u>	<u>134 038 128</u>	<u>20 582</u>	<u>-</u>
Deferred inflows	12 490 367	15 012 102	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>155 842 887</u>	<u>149 050 230</u>	<u>20 582</u>	<u>-</u>
Net Position:				
Investment in capital assets	34 891 900	26 800 763	-	-
Restricted	41 631 016	41 966 543	-	-
Unrestricted	(68 300 181)	(61 687 989)	(10 280)	-
TOTAL NET POSITION	<u>\$ 8 222 735</u>	<u>\$ 7 079 317</u>	<u>\$ (10 280)</u>	<u>\$ -</u>

The restricted net position reflects balances of \$2,223,496, \$14,956, and \$39,362,070 for grant programs, debt service, and capital projects, respectively. The \$(68,300,181) of unrestricted net position represents resources available to fund the programs of the District next year.

**Changes in Net Position.** The District's total revenues were \$95,078,596. A significant portion, 35 percent, of the District's revenue comes from taxes. 44 percent comes from state aid, while only 1 percent relates to charges for services.

The total cost of all programs and services was \$93,935,177, and 53 percent of these costs are for instruction, instructional resources and media services.

**ACTIVITIES**

The \$14,158,505 net increase in revenues is primarily due to an increase in taxes revenue of \$6,584,798, and an increase in operating grants and state aid of \$5,773,534. The decrease in miscellaneous revenues is primarily due to the contribution of a building received by the District in the prior year.

	GOVERNMENTAL ACTIVITIES		BUSINESS TYPE ACTIVITIES	
	2019	2018	2019	2018
Revenues:				
Program Revenues:				
Charges for services	\$ 772 382	\$ 868 722	\$ 99 475	\$ -
Operating grants and contributions	15 936 502	10 162 968	-	-
General Revenues:				
Property taxes	33 594 301	27 009 503	-	-
State aid	41 532 787	41 006 851	-	-
Investment earnings	1 799 342	486 245	-	-
Miscellaneous revenues	1 443 282	1 385 812	-	-
TOTAL REVENUES	<u>95 078 596</u>	<u>80 920 101</u>	<u>99 475</u>	<u>-</u>
Expenses:				
Instruction, instructional resources and media services	49 797 994	36 640 773	-	-
Curriculum and staff development	2 755 453	2 170 343	-	-
Instructional leadership	2 241 355	1 455 669	-	-
School leadership	5 308 962	3 927 943	-	-
Guidance, counseling and evaluation	3 103 880	2 056 093	-	-
Social work services	137 399	112 889	-	-
Health services	821 643	671 590	-	-
Student transportation	3 351 069	2 386 309	-	-
Food service	5 441 824	5 024 473	-	-
Cocurricular/extracurricular activities	2 395 861	2 193 630	-	-
General administration	2 642 322	2 308 767	94 772	-
Facilities maintenance and operations	9 383 562	7 912 059	-	-
Security and monitoring services	1 093 072	879 929	-	-
Data processing services	1 818 927	2 278 173	-	-
Community services	56 587	55 321	-	-
Debt service	2 774 826	1 798 490	-	-
Capital outlay	5 269	87 219	-	-
Payments to shared service arrangements	272 218	270 965	-	-
Other intergovernmental charges	532 954	475 299	-	-
TOTAL EXPENSES	<u>93 935 177</u>	<u>72 705 934</u>	<u>94 772</u>	<u>-</u>
CHANGE IN NET POSITION	<u>\$ 1 143 419</u>	<u>\$ 8 214 167</u>	<u>\$ 4 703</u>	<u>\$ -</u>

The increase of \$21,229,243 in expenses from the prior year is primarily due to the increase caused by the net adjustments for the Other Post Employee Benefit (OPEB) liability and deferral amounts in the current year.

The cost of all governmental activities this year was \$93,935,177. However, the amount that our taxpayers paid for these activities through property taxes was only \$33,594,301. Those who directly benefitted from the programs paid \$772,382 and grants and contributions paid \$15,936,502.

The business type activity was created in the current year to account for advertisement activity. More comparative information will be presented in following years.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

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

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$64,849,972. Less than one percent of the total or \$48,232 is considered nonspendable because it is not in spendable form. Sixty-three percent or \$41,582,784 of this total is restricted due to external limitations on its use. These uses include federal and state programs of \$1,590,717, capital acquisitions of \$39,362,070, and retirement of debt of \$14,956. The remaining thirty-three percent or \$23,218,956 is unassigned.

The District's governmental funds total fund balance decreased by \$895,992 from the preceding year. This decrease is primarily due to increased expenditures.

The general fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$23,218,956, while total fund balance was \$23,249,450. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents thirty-three percent of total general fund expenditures, while total fund balance represents thirty-three percent of that same amount.

Revenues from governmental fund types totaled \$89,345,707, an increase of \$8,819,040 over the preceding year.

**Proprietary Funds.** The advertising fund was created to account for advertising activity for the district. During the year, revenues totaled \$99,475 and expenses totaled \$94,772. The print shop internal service fund was created to account for printing services of the district. Charges for services were \$19,928 for the current year with \$58,086 in operating expenses. The assets related to the print shop were contributed to the fund totaling \$99,043.

### General Fund Budgetary Highlights

Over the course of the year, the District revised its budget when needed. Differences between the original and final amended budgets were significant for revenues and expenditures (\$119,410 increase in projected revenues and \$3,426,945 in projected expenditures). The increase in projected revenues was primarily due to increases in local revenues of \$119,410. The increase in projected expenditures was primarily the result of increases in student transportation of \$1,026,045 and instruction of \$971,262.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2019, the District had invested approximately \$143,000,000, in a broad range of capital assets, including land, buildings, vehicles, and equipment. This amount represents a net decrease (including additions and deductions) of \$451,633 or one percent over last year.

#### District's Capital Assets

(Net of depreciation)

	2019	2018
Land	\$ 2 324 278	\$ 2 324 278
Buildings and improvements	123 282 873	122 326 431
Furniture and equipment	15 591 516	14 430 456
Construction in progress	1 907 501	920 824
<b>TOTALS AT HISTORICAL COST</b>	<b>143 106 168</b>	<b>140 001 989</b>
Less accumulated depreciation	<u>(70 169 469)</u>	<u>(66 692 491)</u>
<b>NET CAPITAL ASSETS</b>	<b><u>\$ 72 936 699</u></b>	<b><u>\$ 73 309 498</u></b>

## Long-term Debt

At year end, the District had \$77,580,654 of bonds and capital leases outstanding as shown below. More detailed information about the District's debt is presented in the notes to the financial statements.

### District's Long-term Debt

	<u>2019</u>	<u>2018</u>
Leases payable	\$ 1 635 655	\$ 1 500 899
Bonds payable	<u>75 944 999</u>	<u>80 076 539</u>
<b>TOTAL BONDS AND NOTES</b>	<b><u>\$ 77 580 654</u></b>	<b><u>\$ 81 577 438</u></b>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised values used for the 2020 budget preparation is up 5.93% from 2019.
- General operating fund spending per student increased in the 2020 budget from \$9,654 to \$11,304. This is an increase of 17% from 2019.
- The District's 2020 refined average daily attendance is expected to remain stable from 2019. The student population has shown no significant growth for the past few years.

These indicators were taken into account when adopting the general fund budget for 2020. Amounts available for appropriation in the General Fund budget are \$79,679,345, an increase of 16% percent over the final 2019 budget of \$68,692,190.

If these estimates are realized, the District's budgetary general fund balance is expected to not change at the close of 2020.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Chief Financial Officer.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

DATA CONTROL CODES		1	2	3
		GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
	<b>ASSETS</b>			
1110	Cash and cash equivalents	\$ 65 552 536	\$ 10 302	\$ 65 562 838
1225	Property taxes receivable	1 753 506	-	1 753 506
1240	Due from other governments	5 309 205	-	5 309 205
1260	Due from proprietary fund	14 983	-	14 983
1290	Other receivables	11 363	-	11 363
1300	Inventory	22 132	-	22 132
1410	Prepaid items	26 100	-	26 100
	Capital Assets:			
1510	Land	2 324 278	-	2 324 278
1520	Buildings and improvements, net	64 464 116	-	64 464 116
1530	Furniture and equipment, net	4 240 804	-	4 240 804
1580	Construction in progress	1 907 501	-	1 907 501
1000	<b>TOTAL ASSETS</b>	<b>145 626 524</b>	<b>10 302</b>	<b>145 636 826</b>
	Deferred Outflows:			
	Deferred charge on refunding	1 335 868	-	1 335 868
	Deferred outflows related to pensions	12 787 949	-	12 787 949
	Deferred outflows related to OPEB	4 315 281	-	4 315 281
1700	<b>TOTAL DEFERRED OUTFLOWS</b>	<b>18 439 098</b>	<b>-</b>	<b>18 439 098</b>
	<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>164 065 622</b>	<b>10 302</b>	<b>164 075 924</b>
	<b>LIABILITIES</b>			
2110	Accounts payable	831 929	5 599	837 528
2140	Interest payable	117 036	-	117 036
2150	Accrued liabilities	332	-	332
2160	Accrued wages payable	4 218 892	-	4 218 892
2177	Due to general fund	-	14 983	14 983
2180	Due to other governments	975 481	-	975 481
2300	Unavailable revenue	77 662	-	77 662
2501	Due within one year	4 733 378	-	4 733 378
	Noncurrent Liabilities:			
2502	Due in more than one year	72 869 777	-	72 869 777
2516	Premium on issuance of bonds	5 236 097	-	5 236 097
2540	Net pension liability	22 334 885	-	22 334 885
2545	Net OPEB liability	31 957 051	-	31 957 051
2000	<b>TOTAL LIABILITIES</b>	<b>143 352 520</b>	<b>20 582</b>	<b>143 373 102</b>
	Deferred Inflows:			
	Deferred inflows related to pensions	2 384 778	-	2 384 778
	Deferred inflows related to OPEB	10 105 589	-	10 105 589
2600	<b>TOTAL DEFERRED INFLOWS</b>	<b>12 490 367</b>	<b>-</b>	<b>12 490 367</b>
	<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>155 842 887</b>	<b>20 582</b>	<b>155 863 469</b>
	<b>NET POSITION</b>			
3200	Net investment in capital assets	34 891 900	-	34 891 900
	Restricted for:			
3820	Federal and state programs	2 253 990	-	2 253 990
3850	Debt service	14 956	-	14 956
3860	Capital projects	39 362 070	-	39 362 070
3900	Unrestricted	(68 300 181)	(10 280)	(68 310 461)
3000	<b>TOTAL NET POSITION</b>	<b>\$ 8 222 735</b>	<b>\$ (10 280)</b>	<b>\$ 8 212 455</b>

The accompanying notes are an integral part of this statement.

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

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	1 EXPENSES	3 PROGRAM REVENUES		4 OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION 7 GOVERNMENTAL ACTIVITIES	8 BUSINESS ACTIVITIES	8 TOTALS
			CHARGES FOR SERVICES					
	Governmental Activities:							
11	Instruction	\$ 48 550 177	\$ 119 663	\$ 7 475 774	\$ (40 954 740)	\$ -	\$ (40 954 740)	
12	Instruction resources and media services	1 247 817	-	262 523	(985 294)	-	(985 294)	
13	Curriculum and staff development	2 755 453	-	1 270 699	(1 484 754)	-	(1 484 754)	
21	Instructional leadership	2 241 355	-	577 744	(1 663 611)	-	(1 663 611)	
23	School leadership	5 308 962	-	409 000	(4 899 962)	-	(4 899 962)	
31	Guidance, counseling, and evaluation services	3 103 880	-	441 036	(2 662 844)	-	(2 662 844)	
32	Social work services	137 399	-	68 837	(68 562)	-	(68 562)	
33	Health services	821 643	-	-	(821 643)	-	(821 643)	
34	Student transportation	3 351 069	-	176 186	(3 174 883)	-	(3 174 883)	
35	Food services	5 441 824	428 856	4 565 796	(447 172)	-	(447 172)	
36	Co-curricular/extracurricular activities	2 395 861	219 915	70 201	(2 105 745)	-	(2 105 745)	
41	General administration	2 642 322	-	134 216	(2 508 106)	-	(2 508 106)	
51	Plant maintenance and operations	9 383 562	3 948	339 559	(9 040 055)	-	(9 040 055)	
52	Security and monitoring services	1 093 072	-	80 440	(1 012 632)	-	(1 012 632)	
53	Data processing services	1 818 927	-	52 119	(1 766 808)	-	(1 766 808)	
61	Community services	56 587	-	12 372	(44 215)	-	(44 215)	
72	Interest on long-term debt	2 774 826	-	-	(2 774 826)	-	(2 774 826)	
81	Facilities acquisition and construction	5 269	-	-	(5 269)	-	(5 269)	
93	Payments related to shared services arrangements	272 218	-	-	(272 218)	-	(272 218)	
99	Other government charges	532 954	-	-	(532 954)	-	(532 954)	
TG	TOTAL GOVERNMENTAL ACTIVITIES	<u>93 935 177</u>	<u>772 382</u>	<u>15 936 502</u>	<u>(77 226 293)</u>	<u>-</u>	<u>(77 226 293)</u>	
	Business-Type Activities:							
	Operating expense	94 772	99 475	-	-	4 703	4 703	
	TOTAL BUSINESS-TYPE ACTIVITIES	<u>94 772</u>	<u>99 475</u>	<u>-</u>	<u>-</u>	<u>4 703</u>	<u>4 703</u>	
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 94 029 949</u>	<u>\$ 871 857</u>	<u>\$ 15 936 502</u>	<u>(77 226 293)</u>	<u>4 703</u>	<u>(77 221 590)</u>	
	General Revenues:							
MT	Property taxes, levied for general purposes				27 218 846	-	27 218 846	
DT	Property taxes, levied for debt service				6 375 455	-	6 375 455	
IE	Investment earnings				1 799 342	-	1 799 342	
GC	Grants and contributions not restricted to specific programs				41 532 787	-	41 532 787	
MI	Miscellaneous				1 428 299	-	1 428 299	
FR	Transfers				14 983	(14 983)	-	
TR	TOTAL GENERAL REVENUES				<u>78 369 712</u>	<u>(14 983)</u>	<u>78 354 729</u>	
CN	CHANGE IN NET POSITION				1 143 419	(10 280)	1 133 139	
NB	Net position - Beginning				7 079 316	-	7 079 316	
NE	NET POSITION - ENDING				<u>\$ 8 222 735</u>	<u>\$ (10 280)</u>	<u>\$ 8 212 455</u>	

The accompanying notes are an integral part of this statement.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
August 31, 2019

EXHIBIT C-1

DATA CONTROL CODES	10 GENERAL FUND	60 CAPITAL PROJECT FUND	OTHER GOVERN- MENTAL FUNDS	98 TOTAL GOVERN- MENTAL FUNDS	
<b>ASSETS</b>					
1110	Cash and cash equivalents	\$ 23 941 566	\$ 39 535 855	\$ 2 075 115	\$ 65 552 536
1225	Taxes receivable, net	1 552 254	-	201 252	1 753 506
1240	Due from other governments	3 564 063	-	1 745 142	5 309 205
1260	Due from other funds	1 084 334	-	509	1 084 843
1290	Other receivables	10 872	-	491	11 363
1300	Inventory	4 394	-	17 738	22 132
1410	Deferred expenditures	26 100	-	-	26 100
1000	<b>TOTAL ASSETS</b>	<b>\$ 30 183 583</b>	<b>\$ 39 535 855</b>	<b>\$ 4 040 247</b>	<b>\$ 73 759 685</b>
<b>LIABILITIES</b>					
Current Liabilities:					
2110	Accounts payable	\$ 451 591	\$ 173 785	\$ 206 553	\$ 831 929
2150	Payroll deductions and withholdings	90	-	242	332
2160	Accrued wages payable	3 889 281	-	329 611	4 218 892
2170	Due to other funds	-	-	1 051 911	1 051 911
2180	Due to other governments	963 255	-	12 226	975 481
2000	<b>TOTAL LIABILITIES</b>	<b>5 304 217</b>	<b>173 785</b>	<b>1 600 543</b>	<b>7 078 545</b>
Deferred Inflows:					
2600	Unavailable revenue	1 629 916	-	201 252	1 831 168
	<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>6 934 133</b>	<b>173 785</b>	<b>1 801 795</b>	<b>8 909 713</b>
Fund Balances:					
Nonspendable Fund Balance:					
3410	Inventories	4 394	-	17 738	22 132
3430	Prepaid items	26 100	-	-	26 100
Restricted Fund Balances:					
3450	Food service	-	-	1 590 717	1 590 717
3480	Debt service	-	-	14 956	14 956
3470	Capital acquisitions	-	39 362 070	-	39 362 070
3490	Other	-	-	615 041	615 041
3600	Unassigned	23 218 956	-	-	23 218 956
3000	<b>TOTAL FUND BALANCES</b>	<b>23 249 450</b>	<b>39 362 070</b>	<b>2 238 452</b>	<b>64 849 972</b>
4000	<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<b>\$ 30 183 583</b>	<b>\$ 39 535 855</b>	<b>\$ 4 040 247</b>	<b>\$ 73 759 685</b>

The accompanying notes are an integral part of this statement.



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

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET	\$ 64 849 972
Amounts Reported for Governmental Activities in the Statement of Net Position (SNP) are Different Because:	
Capital assets used in governmental activities are not reported in the funds.	72 936 699
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1 753 506
Payables for long term debt, including premium, which are not due in the current period are not reported in the funds.	(82 816 751)
Payables for long term debt interest which are not due in the current period are not reported in the funds.	(139 537)
The deferred charge on refunding is not reported in the funds.	1 335 868
District's proportionate share of the collective net pension liability is not reported in the funds.	(22 334 885)
District's proportionate share of the collective OPEB liability is not reported in the funds.	(31 957 051)
District's proportionate share of the collective deferred inflows/outflows of resources related to pension and OPEB plans is not reported in the funds.	4 612 863
Internal service fund activity	<u>(17 949)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	<u>\$ 8 222 735</u>

The accompanying notes are an integral part of this statement.

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

EXHIBIT C-2

DATA CONTROL CODES		10	60	OTHER GOVERN- MENTAL FUNDS	98 TOTAL GOVERN- MENTAL FUNDS
		GENERAL FUND	CAPITAL PROJECT FUND		
Revenues:					
5700	Local and intermediate sources	\$ 28 520 366	\$ 992 921	\$ 7 891 873	\$ 37 405 160
5800	State program revenues	39 814 660	-	990 541	40 805 201
5900	Federal program revenues	1 524 039	-	9 611 307	11 135 346
5020	TOTAL REVENUES	<u>69 859 065</u>	<u>992 921</u>	<u>18 493 721</u>	<u>89 345 707</u>
Expenditures:					
Current:					
0011	Instruction	38 101 140	-	4 599 314	42 700 454
0012	Instructional resources and media services	760 145	-	38 561	798 706
0013	Curriculum and staff development	1 436 734	-	1 276 108	2 712 842
0021	Instructional leadership	1 522 158	-	438 540	1 960 698
0023	School leadership	4 570 677	-	119 055	4 689 732
0031	Guidance, counseling and evaluation services	2 459 829	-	182 115	2 641 944
0032	Social work	68 562	-	68 837	137 399
0033	Health services	809 746	-	233	809 979
0034	Student transportation	3 709 453	-	-	3 709 453
0035	Food services	1 769	-	4 674 357	4 676 126
0036	Co-curricular/extracurricular activities	1 890 554	-	141 401	2 031 955
0041	General administration	2 267 997	-	10 918	2 278 915
0051	Plant maintenance and operations	7 828 825	-	14 737	7 843 562
0052	Security and monitoring services	1 027 217	-	9 290	1 036 507
0053	Data processing services	1 548 587	-	-	1 548 587
0061	Community services	27 348	-	20 173	47 521
0071	Debt service	949 861	-	7 704 323	8 654 184
0081	Facilities acquisition and construction	641 701	1 547 268	18 758	2 207 727
0093	Payments to shared service arrangements	272 218	-	-	272 218
0099	Other governmental charges	532 954	-	-	532 954
6030	TOTAL EXPENDITURES	<u>70 427 475</u>	<u>1 547 268</u>	<u>19 316 720</u>	<u>91 291 463</u>
1100	EXCESS REVENUE OVER EXPENDITURES	<u>(568 410)</u>	<u>(554 347)</u>	<u>(822 999)</u>	<u>(1 945 756)</u>
Other Financing Sources (Uses):					
7913	Issuance of capital leases	1 034 781	-	-	1 034 781
7915	Transfers in	14 983	-	1 075 000	1 089 983
8911	Transfers out	(1 075 000)	-	-	(1 075 000)
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>(25 236)</u>	<u>-</u>	<u>1 075 000</u>	<u>1 049 764</u>
1200	NET CHANGE IN FUND BALANCES	(593 646)	(554 347)	252 001	(895 992)
0100	Fund balance - Beginning	23 843 096	39 916 417	1 986 451	65 745 964
3000	FUND BALANCE - ENDING	<u>\$ 23 249 450</u>	<u>\$ 39 362 070</u>	<u>\$ 2 238 452</u>	<u>\$ 64 849 972</u>

The accompanying notes are an integral part of this statement.



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

EXHIBIT D-1

	BUSINESS- TYPE ACTIVITIES ADVERTISING FUND	INTERNAL SERVICE FUNDS PRINT SHOP
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 10 302	\$ -
TOTAL CURRENT ASSETS	10 302	-
Noncurrent Assets:		
Capital Assets:		
Equipment	-	365 257
Less accumulated depreciation	-	(286 424)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	-	78 833
TOTAL NONCURRENT ASSETS	-	78 833
TOTAL ASSETS	10 302	78 833
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	5 599	-
Due to other funds	14 983	17 949
TOTAL LIABILITIES	20 582	17 949
<b>NET POSITION</b>		
Net investment in capital assets	-	78 833
Unrestricted	(10 280)	(17 949)
TOTAL NET POSITION	\$ (10 280)	\$ 60 884

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

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

EXHIBIT D-2

DATA CONTROL CODES		BUSINESS- TYPE ACTIVITIES ADVERTISING FUND	INTERNAL SERVICE FUNDS PRINT SHOP
	Operating Revenues:		
5700	Local and intermediate	\$ 99 475	\$ 19 928
	TOTAL OPERATING REVENUES	99 475	19 928
	Operating Expenses:		
6100	Payroll costs	43 623	10 533
6200	Professional contracted service	471	10 510
6300	Supplies and material	-	16 834
6400	Miscellaneous operating costs	50 678	20 210
6030	TOTAL OPERATING EXPENSES	94 772	58 087
	OPERATING INCOME	4 703	(38 159)
	Nonoperating Revenues (Expenses):		
	Contribution	-	99 043
	TOTAL NONOPERATING REVENUES (EXPENSES)	-	99 043
	NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND OPERATING TRANSFERS	4 703	60 884
	Operating transfers in (out)	(14 983)	-
	TOTAL NET OPERATING TRANSFERS	(14 983)	-
	CHANGE IN NET POSITION	(10 280)	60 884
0100	Beginning net position	-	-
3000	NET POSITION, END OF YEAR	\$ (10 280)	\$ 60 884

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended August 31, 2019

EXHIBIT D-3

	BUSINESS- TYPE ACTIVITIES ADVERTISING FUND	INTERNAL SERVICE FUNDS PRINT SHOP
Cash Flows from Operating Activities:		
Received from user charges	\$ 99 475	\$ 19 928
Payments to suppliers	(45 550)	(27 344)
Payments to employees	(43 623)	(10 533)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	10 302	(17 949)
Cash Flows from Noncapital Financing Activities:		
Advances from other funds	-	17 949
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	17 949
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10 302	-
Cash at beginning of year	-	-
CASH AT END OF YEAR	\$ 10 302	\$ -
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 4 703	\$ (38 159)
Adjustments:		
Depreciation	-	20 210
Changes in:		
Accounts payable	5 599	-
NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES	\$ 10 302	\$ (17 949)
Non-Cash Activities		
Contribution of capital assets		\$ 99 043

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
August 31, 2019

EXHIBIT E-1

DATA CONTROL CODES		AGENCY FUNDS
	ASSETS	
1110	Cash and cash equivalents	\$ 294 015
1000	TOTAL ASSETS	294 015
	LIABILITIES	
	Current Liabilities:	
2190	Due to student groups	294 015
2000	TOTAL LIABILITIES	294 015
3000	TOTAL NET POSITION	\$ -

The accompanying notes are an integral part of this statement.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. The Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

Basis of Presentation:

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

The District reports the following major governmental funds:

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



LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Project Fund: To account for the construction of assets for the District.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are governmental funds used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

Proprietary Fund Types:

The *Internal Service Fund* accounts for revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis. The District's Internal Service Fund is the Print Shop Fund.

The *Business Type Fund*, the Advertising Fund, accounts for advertising sales and services to the District. All activities necessary to provide such services are accounted for in this fund.

Measurement Focus, Basis of Accounting:

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

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted Net Position, and unrestricted Net Position.

3. Financial Statement Amounts

Property Taxes:

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

Allowances of uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. At August 31, 2019, the allowance for uncollectible property taxes was \$751,502.

Inventories and Prepaid Items:

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets:

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

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

ASSET CLASS	ESTIMATED USEFUL LIVES
Buildings and improvements	7 - 50
Furniture and equipment	5 - 20
Capital leases	5 - 10

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred Outflows/Inflows of Resources:

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

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

For the year ended August 31, 2019, the District has items that qualify for reporting as deferred outflows of resources and deferred inflows of resources. The District reported on the government-wide statement of net position a deferred charge on refunding related to refunding bonds. A deferred charge on refunding relates 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. The District also reports the deferred outflows and inflows related to the TRS net pension and OPEB liability on the government-wide statement of net position. TRS outflows and inflows are detailed in Note I. On the governmental funds balance sheet, the unavailable property tax revenue is reported as a deferred inflow of resources. This revenue is recognized in the period in which the revenue becomes available.

Receivable and Payable Balances:

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

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

Interfund Activity:

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

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimated.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Data Control Codes:

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

Fund Balances - Governmental Funds:

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

Net Position Flow Assumption:

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balance Flow Assumptions:

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. 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.

5. 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 B - COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

VIOLATION	ACTION TAKEN
None	None

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

FUND NAME	DEFICIT AMOUNT	REMARKS
Advertising Fund	10 280	Initial funding due to general fund

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2019

NOTE B - COMPLIANCE AND ACCOUNTABILITY - CONTINUED

3. For the fiscal year ended August 31, 2019, expenditures exceeded appropriations in the functions (the legal level of budgetary control) for the following:

FUND	FUNCTION	FINAL BUDGET	ACTUAL	VARIANCE
General Fund	11 Instruction	\$ 38 075 181	\$ 38 101 140	\$ (25 959)
General Fund	13 Curriculum and staff dev.	1 427 556	1 436 734	(9 178)
General Fund	23 School leadership	4 568 220	4 570 677	(2 457)
General Fund	32 Social work	68 545	68 562	(17)
General Fund	34 Student transportation	3 633 638	3 709 453	(75 815)
General Fund	35 Food services	-	1 769	(1 769)
Child Nutrition	51 Plant maint. and opr.	-	3 050	(3 050)
Capital Project.	81 Facilities Acq. and const.	220 054	1 547 268	(1 327 214)

NOTE C - DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At August 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$58,732,828. The District's cash deposits at August 31, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the pledging institution's agent bank in the District's name.

2. Investments:

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

The Act requires a review of investment practices and controls over investments to be performed in conjunction with the annual financial audit. The District is in substantial compliance requirements of the Act and with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) commercial paper, and (11) interest-bearing deposits.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2019

NOTE C - DEPOSITS AND INVESTMENTS - CONTINUED

The District's investments at August 31, 2019 are shown below.

INVESTMENT OR INVESTMENT TYPE	MATURITY	AMOUNT
Cash Equivalents - Money Market		
Mutual Funds		\$ 6 830 010
TexPool	30 days	56 486 408
TOTAL INVESTMENTS		\$ 63 316 418

3. Analysis of Specific Deposit and Investment Risks:

GASB statement No. 40 requires a determination as to whether the District was exposed to the following specific investment and deposit risks at year end and if so, the reporting of certain related disclosures:

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk.

The District's investment policy does not limit its investment in public funds investment pools based on credit ratings. At August 31, 2019, the District's investment in TexPool was rated AAAM as to credit quality by Standard & Poor's.

Custodial Credit Risk:

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

Interest Rate Risk:

This is the risk that changes in interest rates will adversely affect the fair value of an investment.

The District's investment policy does not limit its investment in public funds investment pools. Weighted average maturities are noted in the table above.

Investment Accounting Policy:

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2019

NOTE C - DEPOSITS AND INVESTMENTS - CONTINUED

Public Funds Investment Pools:

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

TexPool:

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool and are qualified to advise the TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. Investments are carried at amortized cost, which approximates fair value.

NOTE D - CAPITAL ASSETS

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

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BEGINNING BALANCES</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>TRANSFERS</u>	<u>ENDING BALANCES</u>
Capital Assets Not Being Depreciated:					
Land	\$ 2 324 278	\$ -	\$ -	\$ -	\$ 2 324 278
Construction in progress	920 824	2 043 017	(259 339)	(797 001)	1 907 501
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>3 245 102</u>	<u>2 043 017</u>	<u>(259 339)</u>	<u>(797 001)</u>	<u>4 231 779</u>
Capital Assets Being Depreciated:					
Buildings and improvements	122 326 431	159 441	-	797 001	123 282 873
Furniture and equipment	14 430 456	1 161 060	-	(365 257)	15 226 259
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>136 756 887</u>	<u>1 320 501</u>	<u>-</u>	<u>431 744</u>	<u>138 509 132</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(56 259 489)	(2 559 268)	-	-	(58 818 757)
Furniture and equipment	(10 433 002)	(897 500)	-	266 214	(11 064 288)
TOTAL ACCUMULATED DEPRECIATION	<u>(66 692 491)</u>	<u>(3 456 768)</u>	<u>-</u>	<u>266 214</u>	<u>(69 883 045)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>70 064 396</u>	<u>(2 136 267)</u>	<u>-</u>	<u>697 958</u>	<u>68 626 087</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 73 309 498</u>	<u>\$ (93 250)</u>	<u>\$ (259 339)</u>	<u>\$ (99 043)</u>	<u>\$ 72 857 865</u>



LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2019

NOTE D - CAPITAL ASSETS - CONTINUED

BUSINESS TYPE ACTIVITIES	BEGINNING BALANCES	INCREASES	DECREASES	TRANSFERS	ENDING BALANCES
Capital Assets Being Depreciated:					
Furniture and equipment	\$ -	\$ -	\$ -	\$ 365 257	\$ 365 257
TOTAL CAPITAL ASSETS BEING DEPRECIATED	-	-	-	365 257	365 257
Less Accumulated Depreciation for:					
Furniture and equipment	-	(20 210)	-	(266 214)	(286 424)
TOTAL ACCUMULATED DEPRECIATION	-	(20 210)	-	(266 214)	(286 424)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	-	(20 210)	-	99 043	78 833
GOVERNMENTAL ACTIVITIES					
CAPITAL ASSETS, NET	\$ -	\$ (20 210)	\$ -	\$ 99 043	\$ 78 833

Depreciation was charged to functions as follows for the governmental activities:

Instruction	\$ 920 683
Instructional resources and media services	55 397
Curriculum and staff development	42 363
Instructional leadership	70 418
School leadership	21 869
Guidance, counseling, and evaluation services	9 451
Health services	11 596
Student transportation	345 520
Food services	529 735
Cocurricular/extracurricular activities	271 990
General administration	165 256
Plant maintenance and operations	805 071
Security and monitoring services	36 696
Data processing services	192 642
Community services	8 080
	<u>\$ 3 456 768</u>

Depreciation was charged to functions as follows for the business type activities:

Instruction	\$ 8 686
Instructional resources and media services	240
Curriculum and staff development	400
Instructional leadership	664
School leadership	206
Guidance, counseling, and evaluation services	89
Health services	109
Student transportation	3 260
Food services	4 997
General administration	1 559
	<u>\$ 20 210</u>

NOTE E - INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2019, consisted of the following:

DUE TO FUND	DUE FROM FUND	AMOUNT	PURPOSE
General fund	Special revenue funds	\$ 1 051 402	Short-term advances
General fund	Advertising fund	14 983	Short-term advances
General fund	Internal service fund	17 949	Short-term advances
Special revenue	General fund	509	
	TOTAL	<u>\$ 1 084 843</u>	

All amounts due are scheduled to be repaid within one year.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2019

NOTE E - INTERFUND BALANCES AND ACTIVITIES - CONTINUED

2. Transfers To and From Other Funds

<u>TRANSFER TO FUND</u>	<u>TRANSFER FROM FUND</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
Debt service fund	General fund	\$ 1 075 000	Pay debt service
General fund	Advertising fund	14 983	Repayment of short term loan
	TOTAL	<u>\$ 1 089 983</u>	

NOTE F - DUE TO/DUE FROM OTHER GOVERNMENTS

Due from other governments consisted of the following at August 31, 2019:

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
Due from State - Days of instruction	\$ 138 773	\$ -	\$ 138 773
Due from State - Foundation revenue	3 380 750	-	3 380 750
Due from State - Grant programs	-	1 745 142	1 745 142
Due from Federal Agencies	44 540	-	44 540
TOTAL	<u>\$ 3 564 063</u>	<u>\$ 1 745 142</u>	<u>\$ 5 309 205</u>

At August 31, 2019, due to other governments consisted of \$963,255 for EDA revenue.

NOTE G - LONG-TERM OBLIGATIONS

1. Long-Term Obligation Activity:

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2019, are as follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BALANCE 08/31/2018</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE 08/31/2019</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
Series 2012 Bonds	\$ 5 880 000	\$ -	\$ (1 435 000)	\$ 4 445 000	\$ 1 455 000
Premium	92 570	-	(23 143)	69 427	-
Series 2014 Bonds	3 195 000	-	(615 000)	2 580 000	625 000
Premium	419 112	-	(69 852)	349 260	-
Series 2015 Bonds	8 440 000	-	-	8 440 000	140 000
CAB	41 544	-	(41 544)	-	-
Premium	910 040	-	(45 502)	864 538	-
CAB - Accretion	383 456	-	(383 456)	-	-
Deferral on refunding	(687 965)	-	34 398	(653 567)	-
Series 2016 Bonds	8 750 000	-	(50 000)	8 700 000	-
CAB	314 999	-	-	314 999	314 999
Premium	564 991	-	(80 713)	484 278	-
CAB - Accretion	15 001	7 500	-	22 501	22 501
Deferral on refunding	(336 452)	-	21 287	(315 165)	-
Series 2017 Bonds	8 820 000	-	-	8 820 000	40 000
CAB	284 996	-	(284 996)	-	-
Premium	644 442	-	(33 918)	610 524	-
CAB - Accretion	260 002	195 002	(455 004)	-	-
Deferral on refunding	(224 070)	-	10 670	(213 400)	-
Series 2018 Bonds	44 350 000	-	(1 705 000)	42 645 000	1 250 000
Premium	2 977 156	-	(119 086)	2 858 070	-
Deferral on refunding	(172 953)	-	19 217	(153 736)	-
Capital leases	1 504 996	1 034 781	(904 122)	1 635 655	885 878
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 86 426 865</u>	<u>\$ 1 237 283</u>	<u>\$ (6 160 764)</u>	<u>\$ 81 503 384</u>	<u>\$ 4 733 378</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2019

NOTE G - LONG-TERM OBLIGATIONS - CONTINUED

Reconciliation from schedule above to Exhibit A-1:

Bonds payable current	\$	3 824 999
Capital lease current		885 878
CAB accreted interest current		22 501
TOTAL DUE WITHIN ONE YEAR - 2501		4 733 378
Bonds payable long-term		72 120 000
Capital lease long-term		749 777
TOTAL DUE IN MORE THAN ONE YEAR - 2502		72 869 777
TOTAL PREMIUM ON ISSUANCE OF BONDS - 2516		5 236 097
TOTAL DEFERRED CHARGES ON REFUNDING - 1700		(1 335 868)
TOTAL SCHEDULE ABOVE	\$	81 503 384

2. Bonds Payable:

The Series 2009 Unlimited Tax School Building bonds were issued for \$25,497,970. Of that amount, \$112,970 were capital appreciation bonds. The capital appreciation bonds were issued at a premium of \$948,416. Interest rates range from 2.50% to 4.75% for these bonds.

The Series 2012 Unlimited Tax School Building Bonds were issued for \$5,880,000. These bonds were issued at a premium of \$231,428. Interest rates range from 1.00% to 1.80%.

The Series 2014 Unlimited Tax School Building Bonds were issued for \$10,630,000. The bonds were issued at a premium of \$698,516. Interest rates range from 2.00% to 4.00%.

The Series 2015 Unlimited Tax School Building Bonds were issued for \$8,859,997, which included capital appreciation bonds of \$114,997. The bonds were issued at a premium of \$1,046,536. Interest rates range from 1.50% to 4.25%.

The Series 2016 Unlimited Tax Refunding Bonds were issued for \$8,880,000. These bonds were issued at a premium of \$726,415. Interest rates range from 1.20% to 4.25%.

The Series 2017 Unlimited Tax Refunding Bonds were issued for \$9,005,000. These bonds were issued at a premium of \$689,658. Interest rates range from 1.35% to 3.05%.

The Series 2018 Unlimited Tax School Building and Refunding bonds were issued in an original amount of \$44,350,000. The bonds were issued at a premium of \$2,977,156 and cost issuance \$412,309. Interest rates range from 3.125% - 5.00%.

Debt service requirements on long-term debt at August 31, 2019, are as follows:

YEAR ENDING AUGUST 31,	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2020	\$ 3 824 999	\$ 2 710 919	\$ 6 535 918
2021	4 150 000	2 576 455	6 726 455
2022	4 140 000	2 470 955	6 610 955
2023	2 960 000	2 346 255	5 306 255
2024	2 465 000	2 220 249	4 685 249
2025-2029	13 890 000	9 322 503	23 212 503
2030-2034	16 770 000	6 608 888	23 378 888
2035-2039	18 990 000	3 504 472	22 494 472
2040-2043	8 755 000	779 450	9 534 450
TOTALS	\$ 75 944 999	\$ 32 540 146	\$ 108 485 145

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2019

NOTE G - LONG-TERM OBLIGATIONS - CONTINUED

3. Capital Leases:

At August 31, 2019, the District has several capital lease agreements. The details of those agreements are as follows:

<u>LESSOR</u>	<u>ASSET LEASED</u>	<u>INTEREST RATE</u>
Regions Commercial Equipment Finance, LLC	Scoreboard	3.79%
Citizens National Bank	Buses	2.18%
Dell Financial Services	Computers	0.31%
Dell Financial Services	Computers	4.73%
Dell Financial Services	Laptops	2.50%
Dell Financial Services	Ipads	3.50%

The assets acquired through capital leases that met the capitalization policy of the District are as follows:

<u>ASSET</u>	<u>GOVERNMENTAL ACTIVITIES</u>
Furniture and equipment	\$ 1 309 952
Less: Accumulated depreciation	(463 779)
TOTAL	<u>\$ 846 173</u>

The computers, laptops and Ipads that were acquired under capital leases did not meet the District's capitalization policy; therefore, there is no depreciation on those assets. The total cost of the computers was \$898,632 and \$629,300, respectfully. The total cost of the laptops was \$749,299 and Ipads was \$293,482.

Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of August 31, 2019, as follows:

<u>YEAR ENDING AUGUST 31,</u>	
2020	\$ 926 612
2021	523 355
2022	251 683
TOTAL MINIMUM RENTALS	1 701 650
Less amount representing interest	(65 995)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	<u>\$ 1 635 655</u>

Amortization of leased equipment under capital leases is included with depreciation expense.

NOTE H - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year 2019, the District Participated in the Texas Association of Public Schools Property and Liability Fund (TAPS) and the TASB Risk Management Fund (the Fund), public entity risk pools, to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2019

NOTE H - RISK MANAGEMENT - CONTINUED

TAPS was created in accordance with the Interlocal Cooperation Act, Chapters 791 and 2259 of the Texas Government Code. Members execute Interlocal Participation Agreements that define the responsibilities of the parties. The District paid an annual premium to TAPS for its property, automobile, and liability coverages. In fiscal year 2018, members were assessed a loss fund charge of approximately 10% of their annual premium for the 2017-2018 fund year. If the assets of TAPS were to be exhausted, members would be contingently liable for the portion of the liability applicable to their entity. Independent auditors conduct a financial audit at the close of the plan year. Based on correspondence received by the District, TAPS did not have adequate assets to cover all liabilities as of the most recent audit. See Note L for information on the contingency related to TAPS.

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The District participates in the Property, Liability, Auto and Workers' Compensation Programs.

For the Property, Liability and Auto programs, the Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves.

The Workers' Compensation program is authorized by Chapter 504 of the Texas Labor Code. The Fund provides statutory workers' compensation benefits to its members' injured employees. The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of \$2,000,000. The fund uses the services of an independent actuary to determine the reserve adequacy and fully funds those reserves. As of August 31, 2018, the Fund carries a discounted reserve of \$49,076,113 for future development on reported claims and claims that have been incurred but not yet reported.

For the year ended August 31, 2019, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payments of contributions for all programs in which it participates.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance.

NOTE I - PENSION PLAN

1. Plan Description:

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2019

NOTE I - PENSION PLAN - CONTINUED

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

2. Pension Plan Fiduciary Net Position:

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; on the internet at, <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; or by calling 512.542.6592.

3. Benefits Provided:

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

4. Contributions:

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

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

	CONTRIBUTION RATES	
	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer Contributions - 2019		\$ 1 427 961
Member Contributions - 2019		\$ 3 977 092
NECE On-behalf Contributions - 2018		\$ 2 486 590

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2019

NOTE I - PENSION PLAN - CONTINUED

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.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

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

5. Actuarial Assumptions

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

Valuation Date	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%
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2019

NOTE I - PENSION PLAN - CONTINUED

6. Discount Rate

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

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION*</u>	<u>LONG-TERM EXPECTED ARITHMETIC REAL RATE OF RETURN</u>	<u>EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS**</u>
<b>Global Equity</b>			
U.S.	18%	5.70%	1.04%
Non-U.S. Developed	13%	6.90%	0.90%
Emerging Markets	9%	8.95%	0.80%
Directional Hedge Funds	4%	3.53%	0.14%
Private Equity	13%	10.18%	1.32%
<b>Stable Value</b>			
U.S. Treasuries	11%	1.11%	0.12%
Absolute Return	- %	- %	- %
Stable Value Hedge Funds	4%	3.09%	0.12%
Cash	1%	(0.30)%	- %
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.70%	0.02%
Real Assets	14%	5.21%	0.73%
Energy and Natural Resources	5%	7.48%	0.37%
Commodities	- %	- %	- %
<b>Risk Parity</b>			
Risk Parity	5%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag**			(0.79)%
<b>Total</b>	<u>100%</u>		<u>7.25%</u>

\* Target allocations are based on the FY2016 policy model.

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



LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2019

NOTE I - PENSION PLAN - CONTINUED

For the fiscal year ended August 31, 2018, the annual money-weighted rate of return on pension plan investments was 7.25 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

7. Discount Rate Sensitivity Analysis

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

	1% DECREASE IN DISCOUNT RATE (5.907%)	DISCOUNT RATE (6.907%)	1% INCREASE IN DISCOUNT RATE (7.907%)
District proportionate share of the net pension liability	\$ 33 708 697	\$ 22 334 885	\$ 13 127 109

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

At August 31, 2019, the District reported a liability of \$22,334,885 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 22 334 885
State's proportionate share that is associated with the District	<u>40 654 051</u>
TOTAL	<u>\$ 62 988 936</u>

The net pension liability was measured as of August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 thru August 31, 2018.

At August 31, 2018 the District's proportion of the collective net pension liability was 0.0406% which was an increase of 0.0007% from its proportion measured as of August 31, 2017.

**Changes Since the Prior Actuarial Valuation** - The following 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.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2019

NOTE I - PENSION PLAN - CONTINUED

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.

For the year ended August 31, 2019, the District recognized pension expense of \$4,023,667 and revenue of \$4,023,667 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 139 217	\$ 548 010
Changes in actuarial assumptions	8 052 802	251 650
Difference between projected and actual investment earnings	1 160 728	1 584 516
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2 007 241	602
Contributions paid to TRS subsequent to the measurement date	1 427 961	-
TOTAL	\$ 12 787 949	\$ 2 384 778

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
2020	\$ 2 426 369
2021	\$ 1 534 537
2022	\$ 1 282 793
2023	\$ 1 448 371
2024	\$ 1 375 688
Thereafter	\$ 907 452

NOTE J - 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 <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling 512.542.6592.

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.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2019

**NOTE J - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED**

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.

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

\* or surviving spouse

**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% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>		
	<u>2018</u>	<u>2019</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%
Employer Contributions - 2019	\$ 455 417	
Member Contributions - 2019	\$ 335 729	
NECE On-behalf Contributions - 2018	\$ 570 870	

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2019

NOTE J - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

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

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

E. Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

**Actuarial Methods and Assumptions:**

<b>Valuation Date</b>	August 31, 2018
<b>Methods and Assumptions:</b>	
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69% as of August 31, 2018
Demographic Assumptions	Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2017.
Mortality Assumption	The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection, the ultimate improvement rates from the most recently published projection scale ("U-MP").
Healthcare Trend Rates	Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first year medical trend for Medicare retirees (107.74%) reflects the anticipated return of the Health Insurer Fee (HIF) in 2020. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 9 years.
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Aging Factors	Based on plan specific experience.
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.

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

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

**Other Information:** There was a significant plan change adopted in fiscal year ending August 31, 2018. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2019

NOTE J - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

F. Discount Rate

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

G. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of the Net OPEB Liability	\$ 38 039 870	\$ 31 957 051	\$ 27 145 149

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

At August 31, 2019, the District reported a liability of \$31,957,051 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provide 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	\$ 31 957 051
State's proportionate share that is associated with the District	41 377 775
<b>TOTAL</b>	<b>\$ 73 334 826</b>

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

At August 31, 2018, the employer's proportion of the collective Net OPEB Liability was 0.0640% which is an increase of 0.003% from August 31, 2017.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of the Net OPEB Liability	\$ 26 540 851	\$ 31 957 051	\$ 39 090 303

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2019

NOTE J - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

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

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

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

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

For the year ended August 31, 2019, the District recognized OPEB expense of \$1,505,075 and revenue of \$1,505,075 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 resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1 695 842	\$ 504 329
Changes in actuarial assumptions	533 277	9 601 260
Difference between projected and actual investment earnings	5 589	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1 625 156	-
Contributions paid to TRS subsequent to the measurement date	455 417	-
TOTAL	\$ 4 315 281	\$ 10 105 589

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

YEAR ENDED AUGUST 31,	OPEB EXPENSE AMOUNT
2020	\$ (1 055 584)
2021	\$ (1 055 584)
2022	\$ (1 055 584)
2023	\$ (1 056 641)
2024	\$ (1 057 245)
Thereafter	\$ (965 088)

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2019

NOTE J - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

The Medicare Modernization Act of 2003 (MMA) created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were made available in 2006. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. Under Medicare Part D and the RDS program, TRS-Care received payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire covered payroll reported by all participating reporting entities. TRS based this allocation percentage on the "completed" report submissions by reporting entities for the month of May. For the fiscal years ended August 31, 2019, 2018 and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$195,906, \$153,001 and \$154,623, respectively.

NOTE K - COMMITMENTS AND CONTINGENCIES

1. Construction Commitments:

The District had commitments on its uncompleted construction contracts as of August 31, 2019 as follows:

<u>PROJECT</u>	<u>CONTRACTOR</u>	<u>AMOUNT</u>
LMS Renovation	Goodwin Lasiter Strong	\$ 826 338
LMH Multipurpose Gym	Goodwin Lasiter Strong	\$ 484 811
LHS Sports Complex	Goodwin Lasiter Strong	\$ 342 153
Dunbar Portable Building	Goodwin Lasiter Strong	\$ 254 200

2. Lease Commitment:

The District accounted for a non-cancelable lease agreement for copiers as an operating lease. Future minimum lease payments as of August 31, 2019 are as follows:

<u>YEAR ENDED</u> <u>AUGUST 31,</u>	<u>FUTURE</u> <u>PAYMENTS</u>
2020	\$ <u>139 826</u>

Rental expenditures for the District's copier lease totaled \$139,694.

3. Contingencies:

Grant Programs

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

TAPS

The District's former property, automobile and liability provider (TAPS) filed for Chapter 9 bankruptcy on October 19, 2017. The District is listed as a creditor in the bankruptcy filing. Since the assets of TAPS were not sufficient to cover all liabilities, the District is contingently liable and may receive an additional assessment. However, the amount of any additional assessment cannot be estimated.

4. Litigation:

No reportable litigation was pending against the District at August 31, 2019.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2019

NOTE L - SHARED SERVICES ARRANGEMENTS

Shared Services Arrangement - Fiscal Agent:

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides a Regional Day School Program for the Deaf, a Model 2 Shared Services Arrangement with other local member districts. All services are provided by the fiscal agent. Funding for the Regional Day School comes from federal and state grant programs directly to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in special revenue funds and are accounted for using Model 2 in the SSA section of the Resource Guide. Expenditures of the SSAs are summarized below:

<u>MEMBER DISTRICTS</u>	<u>REGIONAL DAY SCHOOL</u>	<u>ECHS</u>
Lufkin ISD	\$ 96 000	\$ 53 562
Hudson ISD	26 200	19 457
Diboll ISD	8 000	11 570
Huntington ISD	12 200	10 388
Central ISD	9 200	6 357
Zavalla ISD	8 000	-
Crockett ISD	7 200	-
Broaddus ISD	23 700	-
San Augustine ISD	4 000	-
Big Sandy ISD	4 300	-
Trinity ISD	4 300	-
Corrigan Camden ISD	3 700	-
Warren ISD	4 000	-
West Sabine ISD	4 300	-
Onalaska ISD	4 300	-
TOTAL	\$ <u>219 400</u>	\$ <u>101 334</u>

Shared Service Arrangement - Membership:

The District participates in a SSA for an alternative school for at-risk students.

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Hudson ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

NOTE M - SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through January 14, 2020, the date the statements were available to be issued.



#### REQUIRED SUPPLEMENTARY INFORMATION

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For The Year Ended August 31, 2019

EXHIBIT G-1

DATA CONTROL CODES		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
Revenues:					
5700	Local and intermediate sources	\$ 28 114 159	\$ 28 233 569	\$ 28 520 366	\$ 286 797
5800	State program revenues	39 852 531	39 852 531	39 814 660	(37 871)
5900	Federal program revenues	725 500	725 500	1 524 039	798 539
5020	TOTAL REVENUES	<u>68 692 190</u>	<u>68 811 600</u>	<u>69 859 065</u>	<u>1 047 465</u>
Expenditures:					
Current:					
0011	Instruction	37 103 919	38 075 181	38 101 140	(25 959)
0012	Instructional resources and media services	759 480	782 507	760 145	22 362
0013	Curriculum and staff development	1 362 493	1 427 556	1 436 734	(9 178)
0021	Instructional leadership	1 485 397	1 528 685	1 522 158	6 527
0023	School leadership	4 476 207	4 568 220	4 570 677	(2 457)
0031	Guidance, counseling and evaluation services	2 458 974	2 460 720	2 459 829	891
0032	Social work	66 545	68 545	68 562	(17)
0033	Health services	887 326	874 773	809 746	65 027
0034	Student transportation	2 607 593	3 633 638	3 709 453	(75 815)
0035	Food services	-	-	1 769	(1 769)
0036	Co-curricular/extracurricular activities	1 812 923	1 893 037	1 890 554	2 483
0041	General administration	2 104 490	2 369 987	2 267 997	101 990
0051	Plant maintenance and operations	8 149 583	7 975 667	7 828 825	146 842
0052	Security and monitoring services	910 978	1 029 305	1 027 217	2 088
0053	Data processing services	1 544 699	1 592 434	1 548 587	43 847
0061	Community services	39 975	39 966	27 348	12 618
0071	Debit services	907 539	966 949	949 861	17 088
0081	Facilities acquisition and construction	-	709 138	641 701	67 437
0093	Payments shared service arrangements	272 217	272 222	272 218	4
0099	Other government charges	532 557	641 313	532 954	108 359
6030	TOTAL EXPENDITURES	<u>67 482 895</u>	<u>70 909 852</u>	<u>70 427 475</u>	<u>482 368</u>
1100	EXCESS REVENUE OVER EXPENDITURES	<u>1 209 295</u>	<u>(2 098 243)</u>	<u>(568 410)</u>	<u>1 529 833</u>
Other Financing Sources (Uses):					
7913	Capital lease proceeds	-	1 034 781	1 034 781	-
7915	Transfer in	-	-	14 983	14 983
8925	Transfers out	(1 209 295)	(1 209 295)	(1 075 000)	134 295
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>(1 209 295)</u>	<u>(174 514)</u>	<u>(25 236)</u>	<u>149 278</u>
1200	NET CHANGE IN FUND BALANCES	-	(2 272 757)	(593 646)	1 679 111
0100	Fund balance - Beginning	<u>23 843 096</u>	<u>23 843 096</u>	<u>23 843 096</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 23 843 095</u>	<u>\$ 20 917 330</u>	<u>\$ 23 249 450</u>	<u>\$ 1 679 111</u>

See independent auditors' report.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS\*

EXHIBIT G-2

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0406%	0.0399%	0.0398%	0.0410%	0.0263%
District's proportionate share of the net pension liability (asset)	\$ 22 334 885	\$ 12 743 869	\$ 15 023 180	\$ 14 481 890	\$ 7 027 070
State's proportionate share of the net pension liability (asset) associated with the District	<u>40 654 051</u>	<u>24 122 414</u>	<u>28 891 803</u>	<u>28 512 444</u>	<u>26 024 935</u>
TOTAL	<u>\$ 62 988 936</u>	<u>\$ 36 866 283</u>	<u>\$ 43 914 983</u>	<u>\$ 42 994 334</u>	<u>\$ 33 052 005</u>
District's covered-employee payroll	\$ 50 277 113	\$ 48 259 514	\$ 47 407 377	\$ 46 514 382	\$ 45 682 704
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.42%	26.41%	31.69%	31.13%	15.38%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

Information provided by the Teacher Retirement System of Texas.

\* This schedule is illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See independent auditors' report.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS\*

EXHIBIT G-3

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1 427 961	\$ 1 366 667	\$ 1 306 254	\$ 1 263 147	\$ 1 213 100
Contributions in relation to the contractually required contribution	(1 427 961)	(1 366 667)	(1 306 254)	(1 263 147)	(1 213 100)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 51 349 869	\$ 50 277 113	\$ 48 914 468	\$ 47 407 377	\$ 46 514 382
Contributions as a percentage of Covered payroll	2.78%	2.72%	2.67%	2.66%	2.61%

Information provided by the Teacher Retirement System of Texas.

\* This schedule is illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See independent auditors' report.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF OPEB LIABILITY  
 AND DISTRICT'S OPEB CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS\*

EXHIBIT G-6

<u>District's Proportionate Share of Liability</u>	<u>2018</u>	<u>2017</u>
District's proportion of the OPEBL	0.0640%	0.0610%
District's proportionate share of the OPEBL	\$ 31 957 051	\$ 26 543 032
State share of the OPEBL associated with the District	<u>41 377 775</u>	<u>36 672 199</u>
TOTAL	<u>\$ 73 334 826</u>	<u>\$ 63 215 231</u>
District's covered-employee payroll* <i>Prior FY TRS Gross - September through August</i>	\$ 50 277 113	\$ 48 259 514
Proportionate share/covered payroll	63.56%	55.00%
Plan fiduciary net position/total OPEB liability	1.57%	0.91%

<u>District Contributions</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 455 417	\$ 441 421
Contributions to required contribution	<u>(455 417)</u>	<u>(441 421)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>
Current fiscal year TRS gross	\$ 51 349 869	\$ 50 277 113
Contributions to covered payroll	0.89%	0.88%

Information provided by the Teacher Retirement System of Texas.

\* This schedule is illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See independent auditors' report.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended August 31, 2019

Budget

The official budget was prepared for adoption for the General fund in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

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

Defined Benefit Pension and OPEB Plan

*Changes of Benefit Terms*

See Notes I and J for current year changes.

*Changes of Assumptions*

See Notes I and J for current year changes.

COMBINING STATEMENTS AND BUDGET COMPARISONS  
AS SUPPLEMENTARY INFORMATION

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 August 31, 2019

EXHIBIT H-1

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-1)
	ASSETS			
1110	Cash and cash equivalent	\$ 2 047 933	\$ 27 182	\$ 2 075 115
1225	Taxes receivable, net	-	201 252	201 252
1240	Due from other government	1 745 142	-	1 745 142
1260	Due from other funds	509	-	509
1290	Other receivables	491	-	491
1300	Inventory	17 738	-	17 738
1000	TOTAL ASSETS	<u>\$ 3 811 813</u>	<u>\$ 228 434</u>	<u>\$ 4 040 247</u>
	LIABILITIES			
	Current Liabilities:			
2110	Accounts payable	\$ 206 553	\$ -	\$ 206 553
2150	Other payable	242	-	242
2160	Accrued wages payable	329 611	-	329 611
2170	Due to other funds	1 051 911	-	1 051 911
2180	Due to state	-	12 226	12 226
2000	TOTAL LIABILITIES	<u>1 588 317</u>	<u>12 226</u>	<u>1 600 543</u>
	DEFERRED INFLOWS			
2600	Deferred revenue	-	201 252	201 252
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>1 588 317</u>	<u>213 478</u>	<u>1 801 795</u>
	FUND BALANCES			
	Nonspendable Fund Balance:			
3410	Inventory	17 738	-	17 738
	Restricted Fund Balances:			
3450	Federal/state funds grant	1 590 717	-	1 590 717
3420	Reserved for debt service	-	14 956	14 956
3490	Other restrictions of fund balance	615 041	-	615 041
3000	TOTAL FUND BALANCE	<u>2 223 496</u>	<u>14 956</u>	<u>2 238 452</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 3 811 813</u>	<u>\$ 228 434</u>	<u>\$ 4 040 247</u>

See independent auditors' report.



LUFKIN INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended August 31, 2019

EXHIBIT H-2

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-2)
	Revenues:			
5700	Local and intermediate sources	\$ 1 457 312	\$ 6 434 561	\$ 7 891 873
5800	State program revenues	796 453	194 088	990 541
5900	Federal program revenues	9 611 307	-	9 611 307
5020	TOTAL REVENUE	<u>11 865 072</u>	<u>6 628 649</u>	<u>18 493 721</u>
	Expenditures:			
	Current:			
0011	Instruction	4 599 314	-	4 599 314
0012	Instructional resources and media services	38 561	-	38 561
0013	Curriculum and staff development	1 276 108	-	1 276 108
0021	Instructional leadership	438 540	-	438 540
0023	School leadership	119 055	-	119 055
0031	Guidance, counseling, and evaluation services	182 115	-	182 115
0032	Social work	68 837	-	68 837
0033	Health services	233	-	233
0035	Food service	4 674 357	-	4 674 357
0036	Cocurricular/extracurricular activities	141 401	-	141 401
0041	General administration	10 918	-	10 918
0051	Facilities maintenance and operations	14 737	-	14 737
0052	Security and monitoring services	9 290	-	9 290
0061	Community services	20 173	-	20 173
0071	Principal on long-term debt	-	7 704 323	7 704 323
0081	Capital outlay	18 758	-	18 758
6030	TOTAL EXPENDITURES	<u>11 612 397</u>	<u>7 704 323</u>	<u>19 316 720</u>
	EXCESS REVENUE OVER EXPENDITURES	<u>252 675</u>	<u>(1 075 674)</u>	<u>(822 999)</u>
	Other Financing Sources:			
7915	Transfers in	-	1 075 000	1 075 000
7080	TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>1 075 000</u>	<u>1 075 000</u>
1200	NET CHANGE IN FUND BALANCES	252 675	(674)	252 001
0100	Fund balances - Beginning	1 970 821	15 630	1 986 451
3000	FUND BALANCES - ENDING	<u>\$ 2 223 496</u>	<u>\$ 14 956</u>	<u>\$ 2 238 452</u>

See independent auditors' report.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 August 31, 2019

DATA CONTROL CODES		211 TITLE I, PART A - IMPROVING BASIC PROGRAMS	219 TITLE I, PART D, SUBPART 2	224 IDEA - PART B, FORMULA	225 IDEA - PART B, PRE- SCHOOL
	ASSETS				
1110	Cash and cash equivalent	\$ -	\$ -	\$ -	\$ -
1240	Due from other government	410 268	3 995	257 595	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventory	-	-	-	-
1000	TOTAL ASSETS	<u>\$ 410 268</u>	<u>\$ 3 995</u>	<u>\$ 257 595</u>	<u>\$ -</u>
	LIABILITIES				
	Current Liabilities:				
2110	Accounts payable	\$ 14 140	\$ 184	\$ 8 869	\$ -
2150	Other payable	-	-	-	-
2160	Accrued wages payable	187 051	-	110 375	-
2170	Due to other funds	<u>209 077</u>	<u>3 811</u>	<u>138 351</u>	<u>-</u>
2000	TOTAL LIABILITIES	<u>410 268</u>	<u>3 995</u>	<u>257 595</u>	<u>-</u>
	FUND BALANCES				
3410	Nonspendable	-	-	-	-
	Restricted Fund Balances:				
3450	Restricted for food service	-	-	-	-
3490	Other restricted of fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	TOTAL FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 410 268</u>	<u>\$ 3 995</u>	<u>\$ 257 595</u>	<u>\$ -</u>

See independent auditors' report.

EXHIBIT H-3  
Page 1 of 2

240 NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM	242 SUMMER FEEDING PROGRAM	244 CAREER AND TECHNICAL - BASIC GRANT	255 TITLE II, PART A- TEACHER & PRINCIPAL TRAINING & RECRUITING	263 ENGLISH LANGUAGE ACQUISITION & ENHANCEMENT	270 ESEA TITLE VI PART B	274 GEAR UP 2012
\$ 1 386 490	\$ 53	\$ -	\$ -	\$ -	\$ -	\$ -
330 562	-	9 788	52 138	14 097	98 680	257 743
509	-	-	-	-	-	-
-	-	-	-	-	-	-
17 738	-	-	-	-	-	-
<u>\$ 1 735 299</u>	<u>\$ 53</u>	<u>\$ 9 788</u>	<u>\$ 52 138</u>	<u>\$ 14 097</u>	<u>\$ 98 680</u>	<u>\$ 257 743</u>
\$ 94 659	\$ 53	\$ 403	\$ 2 963	\$ 396	\$ 775	\$ 8 090
-	-	-	-	-	-	-
32 185	-	-	-	-	-	-
-	-	9 385	49 175	13 701	97 905	249 653
<u>126 844</u>	<u>53</u>	<u>9 788</u>	<u>52 138</u>	<u>14 097</u>	<u>98 680</u>	<u>257 743</u>
17 738	-	-	-	-	-	-
1 590 717	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1 608 455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1 735 299</u>	<u>\$ 53</u>	<u>\$ 9 788</u>	<u>\$ 52 138</u>	<u>\$ 14 097</u>	<u>\$ 98 680</u>	<u>\$ 257 743</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED  
 August 31, 2019

DATA CONTROL CODES		287	288	289	315	340
		EDUJOBS	TITLE VI	LEP	SSA IDEA - PART B, DISCRET-	SSA IDEA B PRESCHOOL
		<u>GRANTS</u>	<u>PART A</u>	<u>SCHOOL</u>	<u>IONARY</u>	<u>DEAF</u>
	ASSETS					
1110	Cash and cash equivalent	\$ -	\$ -	\$ -	\$ -	\$ -
1240	Due from other government	-	81 485	-	7 101	-
1260	Due from other funds	-	-	-	-	-
1290	Other receivables	242	-	-	-	-
1300	Inventory	-	-	-	-	-
1000	TOTAL ASSETS	<u>\$ 242</u>	<u>\$ 81 485</u>	<u>\$ -</u>	<u>\$ 7 101</u>	<u>\$ -</u>
	LIABILITIES					
	Current Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
2150	Other payable	-	-	-	-	-
2160	Accrued wages payable	-	-	-	-	-
2170	Due from other funds	242	81 485	-	7 101	-
2000	TOTAL LIABILITIES	<u>242</u>	<u>81 485</u>	<u>-</u>	<u>7 101</u>	<u>-</u>
	FUND BALANCES					
3410	Nonspendable	-	-	-	-	-
	Restricted Fund Balances:					
3450	Restricted for food service	-	-	-	-	-
3490	Other restricted of fund balance	-	-	-	-	-
3000	TOTAL FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 242</u>	<u>\$ 81 485</u>	<u>\$ -</u>	<u>\$ 7 101</u>	<u>\$ -</u>

See independent auditors' report.

EXHIBIT H-3  
Page 2 of 2

385	410	427	429	435	461	499	SPECIAL
SUPPLE- MENTAL VISUALLY IMPAIRED	TEXT- BOOK FUND	READ TO SUCCEED	READY TO READ	REGIONAL DAY SCHOOL FOR THE DEAF	CAMPUS ACTIVITY FUNDS	OTHER SPECIAL REVENUE	REVENUE FUNDS (SEE EXHIBIT H-1)
\$ -	\$ -	\$ -	\$ 60	\$ -	\$ 198 593	\$ 462 737	\$ 2 047 933
-	196 731	-	-	24 959	-	-	1 745 142
-	-	-	-	-	-	-	509
-	-	-	-	-	-	249	491
-	-	-	-	-	-	-	17 738
<u>\$ -</u>	<u>\$ 196 731</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 24 959</u>	<u>\$ 198 593</u>	<u>\$ 462 986</u>	<u>\$ 3 811 813</u>
\$ -	\$ 21 689	\$ -	\$ -	\$ 7 976	\$ 14 893	\$ 31 463	\$ 206 553
-	-	-	-	-	-	242	242
-	-	-	-	-	-	-	329 611
-	175 042	-	-	16 983	-	-	1 051 911
-	196 731	-	-	24 959	14 893	31 705	1 588 317
-	-	-	-	-	-	-	17 738
-	-	-	-	-	-	-	1 590 717
-	-	-	60	-	183 700	431 281	615 041
-	-	-	60	-	183 700	431 281	2 223 496
<u>\$ -</u>	<u>\$ 196 731</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 24 959</u>	<u>\$ 198 593</u>	<u>\$ 462 986</u>	<u>\$ 3 811 813</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 For the Year Ended August 31, 2019

DATA CONTROL CODES		211 TITLE I, PART A - IMPROVING BASIC PROGRAMS	219 TITLE I, PART D, SUBPART 2	224 IDEA - PART B, FORMULA	225 IDEA - PART B, PRE- SCHOOL
Revenues:					
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	2 328 990	27 787	1 352 802	34 747
5020	TOTAL REVENUES	<u>2 328 990</u>	<u>27 787</u>	<u>1 352 802</u>	<u>34 747</u>
Expenditures:					
Current:					
0011	Instruction	1 342 640	27 787	1 321 608	34 747
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and staff development	778 260	-	-	-
0021	Instructional leadership	72 755	-	24 261	-
0023	School leadership	-	-	2 185	-
0031	Guidance, counseling, and evaluation services	58 847	-	4 748	-
0032	Social work	68 837	-	-	-
0033	Health services	-	-	-	-
0035	Food services	-	-	-	-
0036	Cocurricular/extra- curricular activities	1 000	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0061	Community services	6 651	-	-	-
0081	Capital outlay	-	-	-	-
6030	TOTAL EXPENDITURES	<u>2 328 990</u>	<u>27 787</u>	<u>1 352 802</u>	<u>34 747</u>
1200	NET CHANGE IN FUND BALANCES	-	-	-	-
0100	Fund balances - Beginning	-	-	-	-
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

EXHIBIT H-4  
Page 1 of 2

240 NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM	242 SUMMER FEEDING PROGRAM	244 CAREER AND TECHNICAL - BASIC GRANT	255 TITLE II, PART A- TEACHER & PRINCIPAL TRAINING & RECRUITING	263 ENGLISH LANGUAGE ACQUISITION & ENHANCEMENT	270 ESEA TITLE VI PART B	274 GEAR UP 2012
\$ 464 340	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
97 038	-	-	-	-	-	-
<u>4 176 661</u>	<u>111 703</u>	<u>119 782</u>	<u>295 975</u>	<u>135 621</u>	<u>128 354</u>	<u>687 289</u>
<u>4 738 039</u>	<u>111 703</u>	<u>119 782</u>	<u>295 975</u>	<u>135 621</u>	<u>128 354</u>	<u>687 289</u>
-	-	60 747	-	129 428	59 871	363 547
-	-	-	1 840	-	-	-
-	-	-	269 122	2 601	-	171 082
-	-	-	21 067	2 456	57 204	147 564
-	-	-	-	-	-	302
-	-	59 035	-	-	6 574	3 881
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4 562 654	111 703	-	-	-	-	-
-	-	-	-	-	-	913
-	-	-	-	-	-	-
3 050	-	-	-	-	-	-
-	-	-	-	-	4 705	-
-	-	-	3 946	1 136	-	-
-	-	-	-	-	-	-
<u>4 565 704</u>	<u>111 703</u>	<u>119 782</u>	<u>295 975</u>	<u>135 621</u>	<u>128 354</u>	<u>687 289</u>
172 335	-	-	-	-	-	-
1 436 120	-	-	-	-	-	-
<u>\$ 1 608 455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED  
 For the Year Ended August 31, 2019

DATA CONTROL CODES	287	288	289	315 SSA IDEA - PART B, DISCRET- IONARY	340 SSA IDEA B PRESCHOOL DEAF
	EDUJOBS GRANTS	TITLE VI PART A	LEP SUMMER SCHOOL		
Revenues:					
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	-	156 290	5 007	49 891
5020	TOTAL REVENUES	<u>-</u>	<u>156 290</u>	<u>5 007</u>	<u>49 891</u>
Expenditures:					
Current:					
0011	Instruction	-	60 109	5 007	49 112
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and staff development	-	49 633	-	-
0021	Instructional leadership	-	46 290	-	779
0023	School leadership	-	258	-	-
0031	Guidance, counseling, and evaluation services	-	-	-	-
0032	Social work	-	-	-	-
0033	Health services	-	-	-	-
0035	Food services	-	-	-	-
0036	Cocurricular/extra- curricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0061	Community services	-	-	-	-
0081	Capital outlay	-	-	-	-
6030	TOTAL EXPENDITURES	<u>-</u>	<u>156 290</u>	<u>5 007</u>	<u>49 891</u>
1200	NET CHANGE IN FUND BALANCES	-	-	-	-
0100	Fund balances - Beginning	-	-	-	-
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.



EXHIBIT H-4  
Page 2 of 2

385	410	427	429	435	461	499	SPECIAL
SUPPLE- MENTAL VISUALLY IMPAIRED	TEXT- BOOK FUND	READ TO SUCCEED	READY TO READ	REGIONAL DAY SCHOOL FOR THE DEAF	CAMPUS ACTIVITY FUNDS	OTHER SPECIAL REVENUE	REVENUE FUNDS (SEE EXHIBIT H-2)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 293 720	\$ 699 252	\$ 1 457 312
4 815	366 863	350	60	327 327	-	-	796 453
-	-	-	-	-	-	-	9 611 307
<u>4 815</u>	<u>366 863</u>	<u>350</u>	<u>60</u>	<u>327 327</u>	<u>293 720</u>	<u>699 252</u>	<u>11 865 072</u>
4 815	366 863	2 800	-	264 001	174 492	331 332	4 599 314
-	-	-	-	-	36 721	-	38 561
-	-	-	-	-	-	5 410	1 276 108
-	-	-	-	63 326	1 553	1 285	438 540
-	-	-	-	-	9 475	106 835	119 055
-	-	-	-	-	-	49 030	182 115
-	-	-	-	-	-	-	68 837
-	-	-	-	-	-	233	233
-	-	-	-	-	-	-	4 674 357
-	-	-	-	-	51 376	88 112	141 401
-	-	-	-	-	845	10 073	10 918
-	-	-	-	-	11 687	-	14 737
-	-	-	-	-	-	4 585	9 290
-	-	-	-	-	-	8 440	20 173
-	-	-	-	-	939	17 819	18 758
<u>4 815</u>	<u>366 863</u>	<u>2 800</u>	<u>-</u>	<u>327 327</u>	<u>287 088</u>	<u>623 154</u>	<u>11 612 397</u>
-	-	(2 450)	60	-	6 632	76 098	252 675
-	-	2 450	-	-	177 068	355 183	1 970 821
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ 183 700</u>	<u>\$ 431 281</u>	<u>\$ 2 223 496</u>

#### OTHER SUPPLEMENTARY INFORMATION

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 For the Year Ended August 31, 2019

LAST 10 YEARS ENDED AUGUST 31,	(1) (2) TAX RATES		(3)
	MAINTENANCE	DEBT SERVICE	ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES
2010 and prior years	Various	Various	\$ Various
2011	1.0400	0.1600	\$ 2 085 170 500
2012	1.0400	0.1650	\$ 2 123 601 212
2013	1.0400	0.1700	\$ 2 142 161 488
2014	1 0400	0.1670	\$ 2 253 455 551
2015	1.0400	0.1730	\$ 2 260 211 707
2016	1.1700	0.0430	\$ 2 237 252 432
2017	1.1700	0.0430	\$ 2 208 569 827
2018	1.1700	0.0430	\$ 2 238 124 155
2019 (School year under audit)	1.1700	0.2800	\$ 2 348 562 069
TOTALS			

See independent auditor's report.

EXHIBIT J-1

(10) BEGINNING BALANCE 09/01/2018	(20) CURRENT YEAR'S TOTAL LEVY	(31) MAINTENANCE COLLECTIONS	(32) DEBT SERVICE COLLECTIONS	(40) ENTIRE YEAR'S ADJUSTMENTS	(50) ENDING BALANCE 08/31/2019
\$ 424 028	\$ -	\$ 21 503	\$ 1 870	\$ (72 864)	\$ 327 782
81 676	-	4 445	682	(527)	76 022
89 083	-	5 799	918	(2 038)	80 329
102 633	-	6 008	977	(851)	94 797
150 465	-	9 575	1 531	(608)	138 751
186 514	-	26 348	4 377	(1 563)	154 226
276 487	-	57 436	2 105	(20 086)	196 859
343 434	-	74 353	2 727	(10 676)	255 677
608 924	-	115 255	4 195	(127 999)	361 474
<u>-</u>	<u>34 054 150</u>	<u>26 346 803</u>	<u>6 301 852</u>	<u>(586 403)</u>	<u>819 091</u>
<u>\$ 2 263 244</u>	<u>\$ 34 054 150</u>	<u>\$ 26 667 525</u>	<u>\$ 6 321 234</u>	<u>\$ (823 615)</u>	<u>\$ 2 505 008</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
 BUDGETARY COMPARISON SCHEDULE  
 For the Year Ended August 31, 2019

EXHIBIT J-2

DATA CONTROL CODES		1	2	3	4
		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 417 800	\$ 417 800	\$ 464 340	\$ 46 540
5800	State program revenues	32 000	32 000	97 038	65 038
5900	Federal program revenues	3 994 648	3 994 908	4 176 661	181 753
5020	TOTAL REVENUES	<u>4 444 448</u>	<u>4 444 708</u>	<u>4 738 039</u>	<u>293 331</u>
	Expenditures:				
	Current:				
0035	Food services	4 444 448	4 686 421	4 562 654	123 767
0051	Plant maintenance and opr.	-	-	3 050	(3 050)
6030	TOTAL EXPENDITURES	<u>4 444 448</u>	<u>4 686 421</u>	<u>4 565 704</u>	<u>120 717</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(241 713)</u>	<u>172 335</u>	<u>414 048</u>
0100	Fund balance - Beginning	<u>1 436 120</u>	<u>1 436 120</u>	<u>1 436 120</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 1 436 120</u>	<u>\$ 1 194 407</u>	<u>\$ 1 608 455</u>	<u>\$ 414 048</u>

See independent auditor's report.



LUFKIN INDEPENDENT SCHOOL DISTRICT  
 CAPITAL PROJECT FUND  
 BUDGETARY COMPARISON SCHEDULE  
 For the Year Ended August 31, 2019

EXHIBIT J-4

DATA CONTROL CODES	1	2	3	4
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Revenues:				
5700	Local and intermediate sources	\$ 5 400	\$ 992 921	\$ 987 521
5020	TOTAL REVENUES	<u>5 400</u>	<u>992 921</u>	<u>987 521</u>
Expenditures:				
0081	Facilities acquisition and construction	-	1 547 268	(1 327 214)
6030	TOTAL EXPENDITURES	<u>-</u>	<u>1 547 268</u>	<u>(1 327 214)</u>
1100	EXCESS REVENUE OVER EXPENDITURES	<u>-</u>	<u>(554 347)</u>	<u>(339 693)</u>
Other Financing Sources (Uses):				
7911	Issuance of bonds	40 000 000	-	(40 000 000)
8949	Other uses	<u>(40 000 000)</u>	<u>-</u>	<u>(40 000 000)</u>
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(80 000 000)</u>
1200	NET CHANGE IN FUND BALANCES	-	(554 347)	(80 339 693)
0100	Fund balance - Beginning	<u>39 916 417</u>	<u>39 916 417</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 39 916 417</u>	<u>\$ 39 362 070</u>	<u>\$ (80 339 693)</u>

See independent auditor's report.

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

Board of Trustees  
Lufkin Independent School District  
Lufkin, Texas

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lufkin Independent School District as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated January 14, 2020.

**Internal Control Over Financial Reporting**

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

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

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



## Compliance and Other Matters

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

## Purpose of this Report

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

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
January 14, 2020

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

Board of Trustees  
Lufkin Independent School District  
Lufkin, Texas

Members of the Board of Trustees:

**Report on Compliance for Each Major Federal Program**

We have audited Lufkin Independent School District's compliance with the types of compliance requirements described in the *Uniform Guidance* that could have a direct and material effect on each of Lufkin Independent School District's major federal programs for the year ended August 31, 2019. Lufkin Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

## **Opinion on Each Major Federal Program**

In our opinion, Lufkin Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

## **Report on Internal Control Over Compliance**

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

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

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

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

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
January 14, 2020

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended August 31, 2019

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

Material control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?  Yes  No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I

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

Auditee qualified as low-risk auditee?  Yes  No

B. SECTION II - Financial Statement Findings

NONE

C. SECTION III - Federal Award Findings and Questioned Costs

NONE

LUFKIN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended August 31, 2019

FINDING/RECOMMENDATION	CURRENT STATUS	MANAGEMENT'S EXPLANATION IF NOT IMPLEMENTED
None		

LUFKIN INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
For the Year Ended August 31, 2019

None

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended August 31, 2019

EXHIBIT K-1  
 PAGE 1 OF 2

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	(2) FEDERAL CFDA NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) FEDERAL EXPENDITURES
<b>Child Nutrition Cluster</b>			
U.S. Department of Agriculture:			
Passed Through Texas Education Agency:			
School Breakfast Program	10.553	71401801	\$ 125 409
School Breakfast Program	10.553	71401701	975 494
National School Breakfast Program	10.555	71301801	305 048
National School Breakfast Program	10.555	71301701	2 431 547
Passed Through Texas Department of Agriculture:			
Food Distribution (Non-cash)	10.555	00011	339 163
Summer Food Service Program	10.559	00011	111 703
<b>TOTAL CHILD NUTRITION CLUSTER</b>			<u>4 288 364</u>
<b>Forest Service Schools and Road Cluster</b>			
U.S. Department of Agriculture:			
Passed Through Angelina County:			
Schools and Roads - Grants to Counties	10.666	N/A	41 299
<b>TOTAL FOREST SERVICE SCHOOLS AND ROADS CLUSTER</b>			<u>41 299</u>
<b>Special Education (IDEA) Cluster</b>			
U.S. Department of Education:			
Passed Through Texas Education Agency:			
IDEA - Part B, Discretionary	84.027	196600110039036000	52 127
IDEA - Part B Formula	84.027	196600010039036000	1 460 766
IDEA - Part B Preschool	84.173	186610010039036000	15 918
IDEA - Part B Preschool	84.173	186610010039036000	20 516
<b>TOTAL SPECIAL EDUCATION (IDEA) CLUSTER</b>			<u>1 549 327</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2019

EXHIBIT K-1  
PAGE 2 OF 2

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	(2) FEDERAL CFDA NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) FEDERAL EXPENDITURES
<b>Other Programs</b>			
U.S. Department of Education:			
Passed Through Texas Education Agency:			
ESEA, Title I, Part A - Improving Basic Programs	84.010	19610101003903	2 435 776
ESEA, Title I, Part A - Improving Basic Programs	84.010	18610103003903	474
ESEA, Title I, Part D, Subpart 2 - Delinquent Programs	84.010	19610103003903	25 291
Title IV, Part A, Subpart 1	84.424	19680101003903	163 530
Career and Technical - Basic Grant	84.048	19420006003903	125 090
Title III, Part A - English Language Acquisition & Language Enhancement	84.365	19671001003903	141 733
ESEA, Title II, Part A - Teacher & Principal Training & Recruiting	84.367	19694501003903	309 330
LEP Summer School	84.369	69551802	5 007
Passed Through Stephen F. Austin State University:			
GEAR UP	84.334	P334A110173-15	704 163
Special Education - Grants for Infants and Families	84.181	193911010039033000	408
Rural Education	84.358	19696001003903	134 473
TOTAL DEPARTMENT OF EDUCATION			<u>4 045 275</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>9 924 265</u>
Reconciliation to Exhibit C-2:			
Total per Exhibit K-1			\$ 9 924 265
Other Federal Revenue:			
School Health and Related Services (SHARS)	93.990	N/A	724 775
Medicare Reimbursement (MAC)	93.778	N/A	28 600
Erate	32.000	N/A	457 706
TOTAL FEDERAL REVENUE PER EXHIBIT C-2			\$ <u>11 135 346</u>

The accompanying notes are an integral part of this schedule.



LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2019

Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Lufkin Independent School. The information in the SEFA is presented in accordance with the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in the general purpose financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Lufkin Independent School District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance

LUFKIN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REQUIRED RESPONSES TO SELECTED  
SCHOOL FIRST INDICATORS  
As of August 31, 2019

Exhibit K-2

<u>DATA CONTROL CODES</u>		<u>RESPONSES</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission(TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 22 501
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 22 334 885
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ -