

LUFKIN INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2017

Introductory Section

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Lufkin Independent School District
Annual Financial Report
For The Year Ended August 31, 2017

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CERTIFICATE OF BOARD

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, 2017, at a meeting of the board of trustees of such school district on the 18 day of January, 2018.



Signature of Board Secretary



Signature of Board President

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

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Financial Section

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Ted A. Lankford, CPA
Glenda J. Hiers, CPA
Richard A. Rudel, CPA

AL&H ALEXANDER LANKFORD & HIERS, INC.

Yvette Sidnell, CPA
Jennifer L. Webster, CPA
Kimber Rhodes Jones, CPA
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INDEPENDENT AUDITOR'S 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, 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, 2017, 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on the Financial Statements – Continued

Auditor's Responsibility - Continued

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lufkin Independent School District as of August 31, 2017 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 information, schedule of the District's proportionate share of the net pension liability, and schedule of District's contributions on pages 5 through 12 and 40 through 44 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 audits of the 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Lufkin Independent School 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.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on the Financial Statements – Continued

Other Matters - Continued

Other Information - Continued

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 9, 2018 on our consideration of Lufkin Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Lufkin Independent School District's internal control over financial reporting and compliance.



ALEXANDER, LANKFORD & HIERS, INC.

Certified Public Accountants

Lufkin, Texas

January 9, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Lufkin Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2017. 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 \$45,725,532 at August 31, 2017.

During the year, the District's expenses were \$1,770,775 less than the \$84,256,591 generated in taxes and other revenues for governmental activities. The total cost of the District's programs was \$557,110 more than last year; however, no programs were added this year.

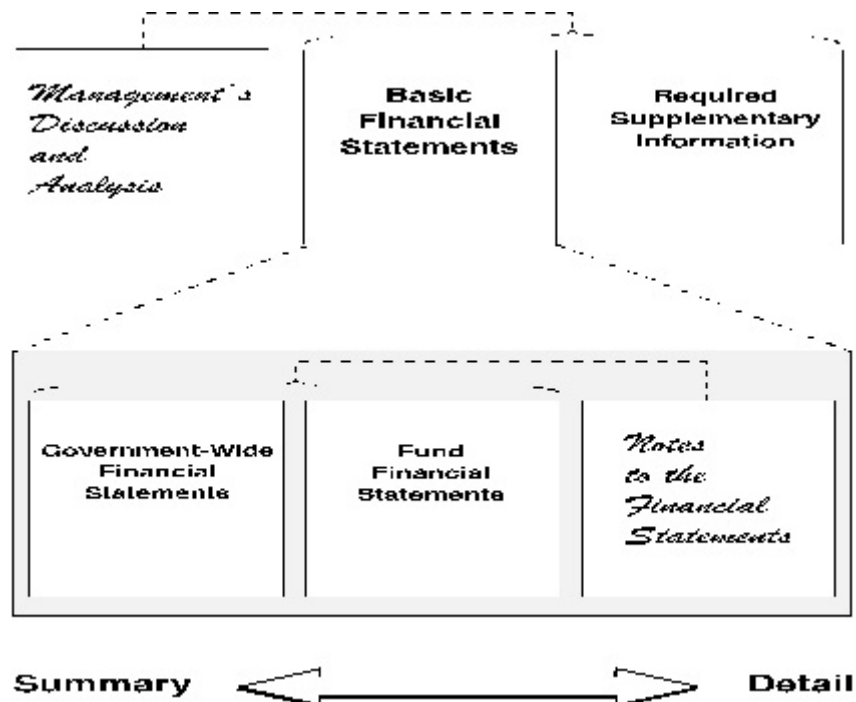
As of the close of the current fiscal year, the District's general fund reported a fund balance of \$25,545,716, a decrease of \$526,417 in comparison with the prior year.

The District's total debt decreased by \$1,599,269 (three percent) during the fiscal year. The key factor in this decrease was the retirement of bonds payable and the issuance of capital leases.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Figure A-1



MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.

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

The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

Figure A-2

Major Features of the District's Government-Wide and Fund Financial Statements

Type of Statements	Fund Statements		
	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire government (except fiduciary funds) and its component units	The activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else's resources
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources and liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Only assets and deferred outflows of resources expected to be used up and only liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

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

GOVERNMENT-WIDE STATEMENTS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

GOVERNMENT-WIDE STATEMENTS - CONTINUED

The two government-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets plus deferred outflows of resources less liabilities and deferred inflows of resources - is one way to measure the District's financial health.

Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

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

FUND FINANCIAL STATEMENTS

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

Some funds are required by State law and by bond covenants.

The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following types of funds:

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

Fiduciary Funds - The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$45,725,532 at August 31, 2017. (See Table A-1)

Table A-1

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 33,251,597	\$ 33,931,268
Capital and non-current assets	<u>75,504,600</u>	<u>74,343,781</u>
Total assets	<u>108,756,197</u>	<u>108,275,049</u>
Deferred outflows of resources	<u>7,570,187</u>	<u>7,796,730</u>
Other liabilities	4,311,129	4,557,866
Long term liabilities	<u>65,423,495</u>	<u>66,481,474</u>
Total liabilities	<u>69,734,624</u>	<u>71,039,340</u>
Deferred inflows of resources	<u>866,228</u>	<u>1,077,682</u>
Net position:		
Net investment in capital assets	29,356,991	25,443,291
Restricted	1,966,655	1,792,259
Unrestricted	<u>14,401,886</u>	<u>16,719,207</u>
Total net position	<u>\$ 45,725,532</u>	<u>\$ 43,954,757</u>

The restricted net position reflects balances of \$1,169,331, \$71, \$507,214, and \$168,820 for grant programs, debt service, capital projects, and campus activities, respectively. The remaining \$121,219 is restricted for other purposes. The \$14,401,886 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 \$84,260,100. A significant portion, thirty-two percent, of the District's revenue comes from taxes. Forty-four percent comes from state aid, while only one percent relates to charges for services.

The total cost of all programs and services was \$82,489,325, and fifty-five percent of these costs are for instruction, instructional resources and media services.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

GOVERNMENTAL ACTIVITIES

The \$350,517 net increase in revenues is primarily due to an increase in miscellaneous revenues of \$1,608,245, and a decrease in state aid of \$1,166,977. The increase in miscellaneous revenues is primarily due to the contribution of a building received by the District and a decrease in e-rate monies received. The decrease in state aid is primarily the result of reduced foundation revenue.

	2017	2016
Program revenues:		
Charges for services	\$ 1,237,863	\$ 1,221,432
Operating grants and contributions	15,490,433	15,888,880
Capital grants and contributions		79,287
General revenues:		
Property taxes	27,026,477	27,465,417
State aid	36,905,344	38,072,321
Investment earnings	196,175	87,717
Miscellaneous revenues	3,403,808	1,795,563
Total revenues	84,260,100	84,610,617
Expenses:		
Instruction, instructional resources and media services	44,980,033	44,618,551
Curriculum and staff development	2,755,888	2,750,460
Instructional leadership	1,754,180	1,704,616
School leadership	4,799,418	4,415,081
Guidance, counseling and evaluation services	2,479,793	2,378,297
Social work services	138,846	145,414
Health services	817,037	862,361
Student transportation	2,569,994	2,370,969
Food service	4,703,835	5,019,557
Cocurricular/extracurricular activities	2,043,095	2,075,915
General administration	2,265,446	2,386,969
Facilities maintenance and operations	8,092,277	7,387,146
Security and monitoring services	934,421	732,801
Data processing services	1,379,084	2,199,702
Community services	51,915	47,584
Debt service	1,976,151	2,079,276
Payments to shared service arrangements	271,814	269,032
Other intergovernmental charges	476,098	484,975
Total expenses	82,489,325	81,928,706
Change in net position	1,770,775	2,681,911
Net position, beginning of year	43,954,757	41,272,846
Net position, ending	\$ 45,725,532	\$ 43,954,757

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

GOVERNMENTAL ACTIVITIES - CONTINUED

The increase of \$560,619 in expenses from the prior year is primarily due to increases in instruction, instructional resources and media services, school leadership, and facilities maintenance and operations of \$361,482, \$384,337, and \$705,131, respectively and decreases in food service and data processing services of \$315,722 and \$820,618, respectively. The increases in instruction, instructional resources and media services is due to expensing total equipment costs under a capital lease instead of current year lease payments only. The increase in school leadership is primarily due to salary increases. The facilities maintenance and operations increase is a result of salary increases and higher utility costs. The decrease in food service is due to a reduction of food costs while the decrease in data processing services is primarily the result of reduced e-rate revenue.

The cost of all governmental activities this year was \$82,489,325. However, the amount that our taxpayers paid for these activities through property taxes was only \$27,026,477. Those who directly benefitted from the programs paid \$1,237,863 and grants and contributions paid \$15,490,433.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, 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 \$27,512,371. Less than one percent of the total or \$45,341 is considered nonspendable because it is not in spendable form. Seven percent or \$1,951,470 of this total is restricted due to external limitations on its use. These uses include federal and state programs of \$1,154,146, capital acquisitions of \$507,214, retirement of debt of \$71 and other purposes of \$290,039. Seventeen percent or \$4,550,239 has been assigned, meaning there are limitations resulting from its intended use. The assigned uses include \$150,000 for capital expenditures and \$4,400,239 for payment of debt service resulting from the tax ratification election. The remaining seventy-six percent or \$20,965,321 is unassigned.

The District's governmental funds total fund balance decreased by \$352,021 from the preceding year. This decrease is primarily due to the loss on the bond refundings net of the premium on the bonds issued.

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 \$20,965,321, while total fund balance was \$25,545,716. 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 percent of total general fund expenditures, while total fund balance represents thirty-seven percent of that same amount.

Revenues from governmental fund types totaled \$83,885,398, an increase of \$1,019,244 or one percent over the preceding year. This increase is primarily due to an increase in local revenues of \$1,475,510 as a result of the contribution of the building and reduced e-rate revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS - CONTINUED

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget twelve times. Differences between the original and final amended budgets were significant for revenues and expenditures (\$625,000 increase in projected revenues and \$3,028,311 increase in projected expenditures). The increase in projected revenues was primarily due to increases in local revenues of \$400,000. The increase in projected expenditures was primarily the result of increases in facilities acquisition and construction of \$1,736,284 and facilities maintenance and operations of \$717,594.

Differences between actual results and the final amended budget were significant for revenues and expenditures (\$3,990,365 increase in actual revenues and \$3,135,132 increase in actual expenditures). The increase in actual revenues is primarily due to an increase of \$3,073,080 in local revenues. The increase in local revenues was primarily due to the contribution of a building to the District. The increase in actual expenditures is primarily due to increases in instruction and facilities acquisition and construction of \$983,789 and \$2,346,460, respectively. The increase in instruction is primarily due to expensing total equipment costs under a capital lease instead of current year lease payments only. The increase in facilities acquisition and construction is due to the contribution of a building to the District.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had invested \$75,504,600 in a broad range of capital assets, including land, buildings, vehicles, and equipment. (See Table A-3). This amount represents a net increase (including additions and deductions) of \$1,160,819 or two percent over last year.

Table A-3

DISTRICT'S CAPITAL ASSETS

	2017	2016
Land	\$ 2,324,278	\$ 1,956,778
Buildings and improvements	122,115,468	118,624,256
Furniture and equipment	13,988,023	15,310,659
Construction in progress	383,664	184,859
Totals at historical cost	138,811,433	136,076,552
Total accumulated depreciation	(63,306,833)	(61,732,771)
Net capital assets	<u>\$ 75,504,600</u>	<u>\$ 74,343,781</u>

More detailed information about the District's capital assets is presented in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED

Long Term Debt

At year end the District had \$50,400,315 of bonds and capital leases outstanding as shown in Table A-4. More detailed information about the District's debt is presented in the notes to the financial statements.

Table A-4

DISTRICT'S LONG-TERM DEBT

	2017	2016
Leases payable	\$ 1,490,005	\$ 1,047,806
Bonds payable	48,910,310	50,951,778
Total bonds payable	<u>\$ 50,400,315</u>	<u>\$ 51,999,584</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Appraised value used for the 2018 budget preparation is down .83% from 2017.

General operating fund spending per student increased in the 2018 budget from \$8,333 to \$8,598. This is an increase of 3% from 2017.

The District's 2018 refined average daily attendance is expected to decrease from 2017. 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 2018. Amounts available for appropriation in the General Fund budget are \$67,915,169, an increase of one percent over the final 2017 budget of \$67,166,264.

If these estimates are realized, the District's budgetary general fund balance is expected to not change at the close of 2018.

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 information, contact the District's Chief Financial Officer.

Basic Financial Statements

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LUFKIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2017

Data Control Codes	1	Governmental Activities
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$	26,435,656
1225 <i>Property Taxes Receivable (Net)</i>		1,490,836
1240 <i>Due from Other Governments</i>		4,815,452
1290 <i>Other Receivables (Net)</i>		464,312
1300 <i>Inventories</i>		36,087
1410 <i>Prepaid Items</i>		9,254
Capital Assets:		
1510 <i>Land</i>		2,324,278
1520 <i>Buildings and Improvements, Net</i>		68,394,651
1530 <i>Furniture and Equipment, Net</i>		4,402,007
1580 <i>Construction in Progress</i>		383,664
1000 <i>Total Assets</i>		<u>108,756,197</u>
DEFERRED OUTFLOWS OF RESOURCES:		
1701 <i>Deferred Charge on Refunding</i>		1,314,847
1705 <i>Deferred Outflows Related to Pensions</i>		6,255,340
1700 <i>Total Deferred Outflows of Resources</i>		<u>7,570,187</u>
LIABILITIES:		
2110 <i>Accounts Payable</i>		429,927
2140 <i>Interest Payable</i>		62,739
2165 <i>Accrued Liabilities</i>		3,737,753
2180 <i>Due to Other Governments</i>		19,554
2300 <i>Unearned Revenue</i>		61,156
Noncurrent Liabilities:		
2501 <i>Due Within One Year</i>		3,488,784
2502 <i>Due in More Than One Year</i>		46,911,531
2540 <i>Net Pension Liability</i>		15,023,180
2000 <i>Total Liabilities</i>		<u>69,734,624</u>
DEFERRED INFLOWS OF RESOURCES:		
2605 <i>Deferred Inflows Related to Pensions</i>		866,228
2600 <i>Total Deferred Inflows of Resources</i>		<u>866,228</u>
NET POSITION:		
3200 <i>Net Investment in Capital Assets</i>		29,356,991
Restricted For:		
3820 <i>State and Federal Programs</i>		1,169,331
3850 <i>Debt Service</i>		71
3860 <i>Capital Projects</i>		507,214
3870 <i>Campus Activities</i>		168,820
3890 <i>Other Purposes</i>		121,219
3900 <i>Unrestricted</i>		14,401,886
3000 <i>Total Net Position</i>	\$	<u><u>45,725,532</u></u>

The accompanying notes are an integral part of this statement.

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LUFKIN INDEPENDENT SCHOOL DISTRICT**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 44,149,248	\$ 507,002	\$ 6,957,724	\$ (36,684,522)
12	Instructional Resources and Media Services	830,785	53,769	54,344	(722,672)
13	Curriculum and Staff Development	2,755,888	11,668	1,285,609	(1,458,611)
21	Instructional Leadership	1,754,180	10,823	379,743	(1,363,614)
23	School Leadership	4,799,418	45,207	354,400	(4,399,811)
31	Guidance, Counseling, & Evaluation Services	2,479,793	17,054	290,826	(2,171,913)
32	Social Work Services	138,846	549	70,850	(67,447)
33	Health Services	817,037	5,734	80,579	(730,724)
34	Student Transportation	2,569,994	18,636	144,041	(2,407,317)
35	Food Service	4,703,835	401,953	4,471,825	169,943
36	Cocurricular/Extracurricular Activities	2,043,095	70,421	133,082	(1,839,592)
41	General Administration	2,265,446	16,290	129,838	(2,119,318)
51	Facilities Maintenance and Operations	8,092,277	58,990	385,643	(7,647,644)
52	Security and Monitoring Services	934,421	6,682	56,202	(871,537)
53	Data Processing Services	1,379,084	9,923	61,021	(1,308,140)
61	Community Services	51,915	1,217	8,738	(41,960)
72	Interest on Long-term Debt	1,574,527	--	619,231	(955,296)
73	Bond Issuance Costs and Fees	401,624	--	--	(401,624)
93	Payments Related to Shared Services Arrangements	271,814	1,945	6,737	(263,132)
99	Other Intergovernmental Charges	476,098	--	--	(476,098)
TG	Total Governmental Activities	<u>82,489,325</u>	<u>1,237,863</u>	<u>15,490,433</u>	<u>(65,761,029)</u>
TP	Total Primary Government	<u>\$ 82,489,325</u>	<u>\$ 1,237,863</u>	<u>\$ 15,490,433</u>	<u>(65,761,029)</u>
General Revenues:					
MT	Property Taxes, Levied for General Purposes				26,057,487
DT	Property Taxes, Levied for Debt Service				968,990
IE	Investment Earnings				196,175
GC	Grants and Contributions Not Restricted to Specific Programs				36,905,344
MI	Miscellaneous				3,403,808
TR	Total General Revenues				<u>67,531,804</u>
CN	Change in Net Position				1,770,775
NB	Net Position - Beginning				43,954,757
NE	Net Position - Ending				<u>\$ 45,725,532</u>

The accompanying notes are an integral part of this statement.

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LUFKIN INDEPENDENT SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2017

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 24,593,023	\$ 1,842,633	\$ 26,435,656
1225 <i>Taxes Receivable, Net</i>	1,368,858	121,978	1,490,836
1240 <i>Due from Other Governments</i>	3,275,719	1,539,733	4,815,452
1260 <i>Due from Other Funds</i>	1,138,689	--	1,138,689
1290 <i>Other Receivables</i>	451,914	12,398	464,312
1300 <i>Inventories</i>	20,902	15,185	36,087
1410 <i>Prepaid Items</i>	9,254	--	9,254
1000 <i>Total Assets</i>	<u>\$ 30,858,359</u>	<u>\$ 3,531,927</u>	<u>\$ 34,390,286</u>
LIABILITIES:			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ 329,213	\$ 100,714	\$ 429,927
2150 <i>Payroll Deductions & Withholdings</i>	16,350	--	16,350
2160 <i>Accrued Wages Payable</i>	3,541,561	179,842	3,721,403
2170 <i>Due to Other Funds</i>	--	1,138,689	1,138,689
2180 <i>Due to Other Governments</i>	--	19,554	19,554
2300 <i>Unearned Revenue</i>	56,661	4,495	61,156
2000 <i>Total Liabilities</i>	<u>3,943,785</u>	<u>1,443,294</u>	<u>5,387,079</u>
DEFERRED INFLOWS OF RESOURCES:			
<i>Unavailable Property Tax Revenue</i>	1,368,858	121,978	1,490,836
2600 <i>Total Deferred Inflows of Resources</i>	<u>1,368,858</u>	<u>121,978</u>	<u>1,490,836</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
3410 <i>Inventories</i>	20,902	15,185	36,087
3430 <i>Prepaid Items</i>	9,254	--	9,254
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	--	1,154,146	1,154,146
3470 <i>Capital Acquisitions & Contractual Obligations</i>	--	507,214	507,214
3480 <i>Retirement of Long-Term Debt</i>	--	71	71
3490 <i>Other Restrictions of Fund Balance</i>	--	290,039	290,039
Assigned Fund Balances:			
3570 <i>Capital Expenditures for Equipment</i>	150,000	--	150,000
3590 <i>Other Assigned Fund Balance</i>	4,400,239	--	4,400,239
3600 <i>Unassigned</i>	20,965,321	--	20,965,321
3000 <i>Total Fund Balances</i>	<u>25,545,716</u>	<u>1,966,655</u>	<u>27,512,371</u>
4000 <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 30,858,359</u>	<u>\$ 3,531,927</u>	<u>\$ 34,390,286</u>

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, 2017*

Total fund balances - governmental funds balance sheet	\$ 27,512,371
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.	75,504,600
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,490,836
Payables for bond principal which are not due in the current period are not reported in the funds.	(45,324,992)
Payables for capital leases which are not due in the current period are not reported in the funds.	(1,490,005)
Payables for bond interest which are not due in the current period are not reported in the funds.	(58,434)
Payables for capital lease interest which are not due in the current period are not reported in the funds.	(4,305)
The deferred charge on refunding is not reported in the funds.	1,314,847
District's proportionate share of the collective net pension liability is not reported in the funds.	(15,023,180)
District's proportionate share of the collective deferred inflows of resources related to pension plans is not reported in the funds.	(866,228)
District's proportionate share of the collective deferred outflows of resources related to pension plans is not reported in the funds.	6,255,340
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(512,429)
Bond premiums are amortized in the SNP but not in the funds.	<u>(3,072,889)</u>
Net position of governmental activities - Statement of Net Position	\$ <u>45,725,532</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, 2017**

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 29,946,113	\$ 2,022,596	\$ 31,968,709
5800 <i>State Program Revenues</i>	40,008,586	1,547,626	41,556,212
5900 <i>Federal Program Revenues</i>	1,201,930	9,158,547	10,360,477
5020 Total Revenues	<u>71,156,629</u>	<u>12,728,769</u>	<u>83,885,398</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	37,070,154	4,415,115	41,485,269
0012 <i>Instructional Resources and Media Services</i>	735,568	48,874	784,442
0013 <i>Curriculum and Staff Development</i>	1,424,075	1,132,079	2,556,154
0021 <i>Instructional Leadership</i>	1,375,822	262,038	1,637,860
0023 <i>School Leadership</i>	4,377,821	117,759	4,495,580
0031 <i>Guidance, Counseling, & Evaluation Services</i>	2,207,187	110,974	2,318,161
0032 <i>Social Work Services</i>	65,378	62,198	127,576
0033 <i>Health Services</i>	744,325	21,588	765,913
0034 <i>Student Transportation</i>	2,524,850	136	2,524,986
0035 <i>Food Service</i>	--	4,472,834	4,472,834
0036 <i>Cocurricular/Extracurricular Activities</i>	1,740,613	198,141	1,938,754
0041 <i>General Administration</i>	2,118,900	10,124	2,129,024
0051 <i>Facilities Maintenance and Operations</i>	7,704,241	18,411	7,722,652
0052 <i>Security and Monitoring Services</i>	932,493	5,370	937,863
0053 <i>Data Processing Services</i>	1,311,517	--	1,311,517
0061 <i>Community Services</i>	28,427	21,103	49,530
0071 <i>Principal on Long-term Debt</i>	458,235	2,527,687	2,985,922
0072 <i>Interest on Long-term Debt</i>	27,678	2,042,859	2,070,537
0073 <i>Bond Issuance Costs and Fees</i>	--	342,381	342,381
0081 <i>Facilities Acquisition and Construction</i>	4,082,744	--	4,082,744
0093 <i>Payments to Shared Service Arrangements</i>	271,814	--	271,814
0099 <i>Other Intergovernmental Charges</i>	476,098	--	476,098
6030 Total Expenditures	<u>69,677,940</u>	<u>15,809,671</u>	<u>85,487,611</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>1,478,689</u>	<u>(3,080,902)</u>	<u>(1,602,213)</u>
Other Financing Sources and (Uses):			
7911 <i>Issuance of Bonds</i>	--	18,484,995	18,484,995
7913 <i>Issuance of Capital Leases</i>	898,632	--	898,632
7915 <i>Transfers In</i>	--	2,956,365	2,956,365
7916 <i>Premium on Issuance of Bonds</i>	--	1,416,073	1,416,073
8911 <i>Transfers Out</i>	(2,903,738)	(52,627)	(2,956,365)
8949 <i>Payment to Refunded Bonds Escrow Agent</i>	--	(19,549,508)	(19,549,508)
7080 Total Other Financing Sources and (Uses)	<u>(2,005,106)</u>	<u>3,255,298</u>	<u>1,250,192</u>
1200 Net Change in Fund Balances	<u>(526,417)</u>	<u>174,396</u>	<u>(352,021)</u>
0100 Fund Balances - Beginning	<u>26,072,133</u>	<u>1,792,259</u>	<u>27,864,392</u>
3000 Fund Balances - Ending	<u>\$ 25,545,716</u>	<u>\$ 1,966,655</u>	<u>\$ 27,512,371</u>

The accompanying notes are an integral part of this statement.

LUFKIN INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017*

Net change in fund balances - total governmental funds	\$ (352,021)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	4,395,844
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,226,695)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(8,330)
Certain property tax revenues are unavailable; therefore, they are deferred inflows of resources in the funds. This is the change in these amounts this year.	(96,056)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,527,687
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	456,433
Bond premiums are amortized in the SOA but not in the funds.	254,970
The accretion of interest on capital appreciation bonds is not reported in the funds.	227,699
Amount represents the (increase) decrease in accrued interest from beginning of period to end of period.	15,143
Proceeds of bonds do not provide revenue in the SOA, but are reported as an other financing source in the funds.	(18,484,995)
Bond premiums are reported in the funds but not in the SOA.	(1,416,073)
Other uses for payments to refunded bonds escrow agent are reported in the funds but not in the SOA.	19,549,508
Proceeds of leases do not provide revenue in the SOA, but are reported as an other financing source in the funds.	(898,632)
The deferred charge on refunding is amortized in the SOA but not in the funds.	(59,243)
Pension contributions made after the measurement date, August 31, 2016, are required to be reported as deferred outflows of resources in the SOA.	1,306,254
District's recognition of its proportionate share of collective net pension expense is recorded in the SOA but not in the funds.	(2,420,718)
Change in net position of governmental activities - Statement of Activities	\$ <u>1,770,775</u>

The accompanying notes are an integral part of this statement.

LUFKIN INDEPENDENT SCHOOL DISTRICT*STATEMENT OF FIDUCIARY NET POSITION**FIDUCIARY FUNDS**AUGUST 31, 2017*

Data Control Codes		Agency Funds
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 238,991
1000	Total Assets	<u>238,991</u>
	LIABILITIES:	
	Current Liabilities:	
2190	<i>Due to Student Groups</i>	<u>238,991</u>
2000	Total Liabilities	<u>238,991</u>
	NET POSITION:	
3000	Total Net Position	\$ <u><u>--</u></u>

The accompanying notes are an integral part of this statement.

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LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

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 standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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.

In addition, the District reports the following fund types:

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.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

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

b. 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.

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.

3. Financial Statement Amounts

a. 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 for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. At August 31, 2017, the allowance for uncollectible property taxes was \$638,929.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

b. 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.

c. 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 asset 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	7 - 50
Furniture and equipment	5 - 20
Capital leases	5 - 10

d. Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one 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, 2017, 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 issued in 2017 and prior years. 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 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.

e. Receivable and Payable Balances

The District believes that additional detail of receivable and payable balances is needed to avoid the obscuring of significant components by aggregation. Therefore, 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.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

f. Interfund Activity

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

g. 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 amount of revenue and expenses during the period. Actual results could differ from those estimates.

h. Data Control Codes

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

i. 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 or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

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

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

j. 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.

k. 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' 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.

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
Total expenditures in the General Fund exceeded the budget by \$3,135,132.	There were two events that made up the majority of the overage. Two non-cash entries were made after the budget was amended. There was a donation of a building and a computer lease, for which revenues were recorded in amounts equal to expenditures. Management will make sure that these entries are made at the time of the transaction for future entries so they will not be left out of the amended budget.

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
None reported	Not applicable	Not applicable

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

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, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$26,612,931 and the bank balance was \$27,918,387. The District's cash deposits at August 31, 2017 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.

The District's investments at August 31, 2017 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
<u>Cash Equivalents - Money Market Mutual Funds</u>		
TexPool	30 days	\$ 57,027
Total Investments		\$ 57,027

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:

a. 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, 2017, the District's investment in TexPool was rated AAAM as to credit quality by Standard & Poor's.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

b. 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.

c. 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.

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.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

D. Capital Assets

Capital asset activity for the year ended August 31, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,956,778	\$ 367,500	\$ --	\$ 2,324,278
Construction in progress	184,859	207,135	8,330	383,664
Total capital assets not being depreciated	2,141,637	574,635	8,330	2,707,942
<i>Capital assets being depreciated:</i>				
Buildings and improvements	118,624,256	3,491,212	--	122,115,468
Furniture and equipment	15,310,659	329,997	1,652,633	13,988,023
Total capital assets being depreciated	133,934,915	3,821,209	1,652,633	136,103,491
Less accumulated depreciation for:				
Buildings and improvements	(51,353,290)	(2,367,527)	--	(53,720,817)
Furniture and equipment	(10,379,481)	(859,168)	(1,652,633)	(9,586,016)
Total accumulated depreciation	(61,732,771)	(3,226,695)	(1,652,633)	(63,306,833)
Total capital assets being depreciated, net	72,202,144	594,514	--	72,796,658
Governmental activities capital assets, net	\$ 74,343,781	\$ 1,169,149	\$ 8,330	\$ 75,504,600

Depreciation was charged to functions as follows:

Instruction	\$ 1,761,346
Instructional Resources and Media Services	34,043
Curriculum and Staff Development	110,930
Instructional Leadership	71,079
School Leadership	195,096
Guidance, Counseling, & Evaluation Services	100,602
Social Work Services	5,536
Health Services	33,238
Student Transportation	109,577
Food Services	193,956
Extracurricular Activities	84,025
General Administration	92,360
Plant Maintenance and Operations	335,141
Security and Monitoring Services	40,701
Data Processing Services	56,916
Community Services	2,149
	<u>\$ 3,226,695</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED AUGUST 31, 2017****E. Interfund Balances and Activities****1. Due To and From Other Funds**

Balances due to and due from other funds at August 31, 2017, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 1,138,689	Short-term advances
	Total	<u>\$ 1,138,689</u>	

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

2. Transfers To and From Other Funds

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General fund	Other Governmental Funds	\$ 2,903,738	Pay debt service
Other Governmental Funds	Other Governmental Funds	52,627	Close out prior fund balance in the Summer Feeding Program
	Total	<u>\$ 2,956,365</u>	

F. Due To/Due From Other Governments

Due from other governments consisted of the following at August 31, 2017:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Due from State - Days of instruction	\$ 2,630,392	\$ --	\$ 2,630,392
Due from State - Foundation revenue	381,199	--	381,199
Due from State - Grant programs	--	1,539,733	1,539,733
Due from Federal Agencies	264,128	--	264,128
Total	<u>\$ 3,275,719</u>	<u>\$ 1,539,733</u>	<u>\$ 4,815,452</u>

At August 31, 2017, due to other governments consisted of \$19,554 for EDA revenue.

LUFKIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

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, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Series 2008 Bonds	\$ 3,875,000	\$ --	\$ (3,875,000)	\$ --	\$ --
Premium	46,844	--	(46,844)	--	--
Series 2009 Bonds	22,517,687	--	(15,012,687)	7,505,000	665,000
Premium	613,419	--	(424,813)	188,606	17,146
Capital Appreciation Bonds - Accretion	503,245	114,068	(617,313)	--	--
Series 2012 Bonds	5,880,000	--	--	5,880,000	--
Premium	138,856	--	(23,143)	115,713	23,143
Series 2014 Bonds	6,960,000	--	(1,850,000)	5,110,000	1,915,000
Premium	558,813	--	(69,849)	488,964	69,852
Series 2015 Bonds	8,619,997	--	(65,000)	8,554,997	73,453
Premium	1,001,034	--	(45,492)	955,542	45,502
Capital Appreciation Bonds - Accretion	236,883	203,045	--	439,928	--
Series 2016 Bonds	--	9,194,999	(85,000)	9,109,999	45,000
Premium	--	726,415	(80,711)	645,704	80,713
Capital Appreciation Bonds - Accretion	--	7,501	--	7,501	--
Series 2017 Bonds	--	9,289,996	(125,000)	9,164,996	60,000
Premium	--	689,658	(11,298)	678,360	33,918
Capital Appreciation Bonds - Accretion	--	65,000	--	65,000	--
Capital leases	1,047,806	898,632	(456,433)	1,490,005	460,057
Total governmental activities	\$ 51,999,584	\$ 21,189,314	\$ (22,788,583)	\$ 50,400,315	\$ 3,488,784

2. Bonds Payable

The Series 2008 Unlimited Tax School Building Bonds were issued in an original amount of \$14,499,999, which included \$159,999 of capital appreciation bonds. The original premium associated with the capital appreciation bonds was \$358,951. Interest rates range from 3.25% to 5.00%.

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%.

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%.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

The Series 2014 Unlimited Tax School Building and Refunding 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 Refunding 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 District issued \$9,194,999 of Unlimited Tax Refunding Bonds, Series 2016 on September 1, 2016, which includes capital appreciation bonds of \$314,999. The net proceeds of \$9,775,471 (after issuance costs of \$141,150, plus premium of \$726,415) were used to advance refund a portion of the Unlimited Tax School Building Bonds, Series 2008 with a total principal balance of \$3,520,000 and a portion of the Unlimited Tax School Building Bonds, Series 2009 with total principal balance of \$5,675,000. Interest rates range from 1.20% to 4.00%. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. This refunding was undertaken to reduce total debt service payments over the next twenty-three years by \$2,853,082 and resulted in an economic gain of \$2,313,002. At August 31, 2017, \$5,675,000 of the defeased debt was still outstanding.

The District issued \$9,289,996 of Unlimited Tax Refunding Bonds, Series 201 on May 1, 2017, which includes capital appreciation bonds of \$284,996. The net proceeds of \$9,774,037 (after issuance costs of \$202,238, plus premium of \$689,658) were used to advance refund a portion of the Unlimited Tax School Building Bonds, Series 2009 with total principal balance of \$9,290,000. Interest rates range from 1.35% to 3.05%. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. This refunding was undertaken to reduce total debt service payments over the next twenty-three years by \$2,021,001 and resulted in an economic gain of \$1,510,867. At August 31, 2017, \$9,290,000 of the defeased debt was still outstanding.

Debt service requirements on long-term debt at August 31, 2017, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 2,758,453	\$ 1,695,515	\$ 4,453,968
2019	2,426,540	2,073,315	4,499,855
2020	3,279,999	1,229,881	4,509,880
2021	3,370,000	1,135,005	4,505,005
2022	3,455,000	1,049,280	4,504,280
2023-2027	7,925,000	4,229,999	12,154,999
2028-2032	8,625,000	2,851,269	11,476,269
2033-2037	9,945,000	1,513,373	11,458,373
2038-2039	3,540,000	155,157	3,695,157
Totals	\$ 45,324,992	\$ 15,932,794	\$ 61,257,786

3. Capital Leases

At August 31, 2017, the District has several capital lease agreements. The details of those agreements are as follows:

Lessor	Asset Leased	Interest Rate
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%

LUFKIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

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	<u>(200,243)</u>
Total	<u>\$ 1,109,709</u>

The computers 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.

Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of August 31, 2017, as follows:

<u>Year Ending August 31:</u>	
2018	\$ 485,913
2019	485,913
2020	462,667
2021	59,410
2022	<u>59,410</u>
Total Minimum Rentals	1,553,313
Less amount representing interest	<u>(63,308)</u>
Present value of minimum lease payments	<u>\$ 1,490,005</u>

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

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 fiscal year 2017, 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.

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 2017, members were assessed a loss fund charge of approximately 10% of their annual premium for the 2015-2016 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.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

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 million. The Fund uses the services of an independent actuary to determine the reserve adequacy and fully funds those reserves. As of August 31, 2016, the Fund carries a discounted reserve of \$51,843,324 for future development on reported claims and claims that have been incurred but not yet reported.

For the year ended August 31, 2017, 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, 2016 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance.

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.

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, TX, 78701-2698; on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; 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.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

4. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act established the employer contribution rates for fiscal years 2016 and 2017.

	Contribution Rates	
	2016	2017
Member	7.2%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's Employer Contributions	\$ 1,263,147	\$ 1,306,254
District's Member Contributions	3,413,308	3,765,271
NECE On-Behalf Contributions to District	2,434,050	2,465,967

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.

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.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

- 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 applicable salary.

5. Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Real Rate of Return As of August 31, 2016			
Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%
* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.			

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 23,250,822	\$ 15,023,180	\$ 8,044,477

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

At August 31, 2017, the District reported a liability of \$15,023,180 for its proportionate share of the TRS' net pension liability. This liability reflects a reduction for State pension support provided to the District.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

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	\$ 15,023,180
State's proportionate share that is associated with District	<u>28,891,803</u>
Total	<u>\$ 43,914,983</u>

The net pension liability was measured as of August 31, 2016 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, 2015 through August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0397559%. which was an increase (decrease) of -0.0012128% from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation - There were no changes to the actuarial assumptions of other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended August 31, 2017, the District recognized pension expense of \$2,998,280 and revenue of \$2,998,280 for support provided by the State.

At August 31, 2017, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 235,561	\$ 448,583
Changes in actuarial assumptions	457,880	416,423
Difference between projected and actual investment earnings	1,272,132	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	2,983,513	1,222
Contributions paid to TRS subsequent to the measurement date	<u>1,306,254</u>	<u>--</u>
Total	<u>\$ 6,255,340</u>	<u>\$ 866,228</u>

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:

Plan (Fiscal) Year Ended August 31	Pension Expense Amount
2017 (2018)	\$ 719,960
2018 (2019)	719,960
2019 (2020)	1,531,388
2020 (2021)	657,614
2021 (2022)	409,859
Thereafter	44,077

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

J. Other Postemployment Benefits - Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts for fiscal years 2017 - 2015 are shown in the table below.

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2017	0.65%	317,945	1.00%	489,145	0.55%	249,126
2016	0.65%	308,153	1.00%	474,074	0.55%	260,740
2015	0.65%	302,339	1.00%	465,144	0.55%	255,822

For the years ended August 31, 2017, 2016 and 2015, the District paid the state contributions for salaries paid by federal grant funds, which amounted to \$48,310, \$44,403 and \$41,569. The amount received by TRS-Care on behalf of the District was \$440,835, \$429,671 and \$423,575 for the years ended August 31, 2017, 2016, and 2015, respectively.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on behalf of the District were \$154,623, \$192,148, and \$207,758, respectively.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

K. Employee Health Care Coverage

During the year ended August 31, 2017, employees of the District were covered by a health insurance plan (the Plan). The District is a member of TRS-ActiveCare, a state-wide health insurance coverage plan for public school employees. It was established by Chapter 1579, "Texas School Employees Uniform Health Coverage Act", of the Texas Insurance Code. Employees can choose from PPO plans administered by Aetna and Caremark.

The District paid premiums of \$225-314 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer.

The contract between the District and the third party administrator is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions.

L. Commitments and Contingencies

1. Construction Commitments

The District had commitments on its uncompleted construction contracts as of August 31, 2017 as follows:

Project	Contractor	Amount
Kurth Primary walkway	Goodwin Lasiter Strong	\$ 2,125
Dunbar Primary sidewalk	Goodwin Lasiter Strong	1,594
Federal building	Goodwin Lasiter Strong	74,375
Coston Elementary roofing	Goodwin Lasiter Strong	5,508
Brandon Elementary paving	Goodwin Lasiter Strong	797
Brandon Elementary paving	J.E. Kingham Construction Co.	19,141

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, 2017 are as follows:

Year Ending August 31,	
2018	\$ 1,305
2019	762
Total	\$ 2,067

Rental expenditures for the District's copier lease totaled \$103,249.

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.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

TAPS - Subsequent Event

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, 2017.

M. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for two Shared Services Arrangements ("SSAs") which provide a Regional Day School program for deaf students and Early College High School (ECHS) services to the member districts listed below. All services are provided by the fiscal agent. Funding for the Regional Day School SSA comes from federal and state grant programs directly to the fiscal agent while the funding for the ECHS SSA is from local grants that came 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:

Member Districts	Regional Day School	ECHS
Lufkin ISD	\$ --	\$ 100,471
Hudson ISD	45,120	33,991
Diboll ISD	18,054	23,296
Huntington ISD	36,107	21,186
Central ISD	54,132	19,014
Zavalla ISD	18,054	4,972
Woodville ISD	18,054	--
Broaddus ISD	36,107	--
Crockett ISD	9,041	--
San Augustine ISD	9,041	--
Hemphill ISD	9,041	--
Big Sandy ISD	9,041	--
Trinity ISD	27,066	--
Total	\$ 288,858	\$ 202,930

Shared Services 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.

N. Subsequent Events

In October 2017, the District entered into a capital lease for copiers. The total copier costs under the lease is \$357,756.

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.

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LUFKIN INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 26,473,033	\$ 26,873,033	\$ 29,946,113	\$ 3,073,080
5800	State Program Revenues	39,434,731	39,434,731	40,008,586	573,855
5900	Federal Program Revenues	633,500	858,500	1,201,930	343,430
5020	Total Revenues	66,541,264	67,166,264	71,156,629	3,990,365
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	36,422,169	36,086,365	37,070,154	(983,789)
0012	Instructional Resources and Media Services	732,452	755,032	735,568	19,464
0013	Curriculum and Staff Development	1,365,163	1,377,208	1,424,075	(46,867)
	Total Instruction & Instr. Related Services	38,519,784	38,218,605	39,229,797	(1,011,192)
Instructional and School Leadership:					
0021	Instructional Leadership	1,424,355	1,396,177	1,375,822	20,355
0023	School Leadership	4,333,043	4,339,898	4,377,821	(37,923)
	Total Instructional & School Leadership	5,757,398	5,736,075	5,753,643	(17,568)
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	2,186,261	2,191,717	2,207,187	(15,470)
0032	Social Work Services	62,714	67,714	65,378	2,336
0033	Health Services	716,008	740,327	744,325	(3,998)
0034	Student (Pupil) Transportation	2,477,561	2,684,970	2,524,850	160,120
0036	Cocurricular/Extracurricular Activities	1,669,718	1,702,532	1,740,613	(38,081)
	Total Support Services - Student (Pupil)	7,112,262	7,387,260	7,282,353	104,907
Administrative Support Services:					
0041	General Administration	2,121,138	2,115,185	2,118,900	(3,715)
	Total Administrative Support Services	2,121,138	2,115,185	2,118,900	(3,715)
Support Services - Nonstudent Based:					
0051	Facilities Maintenance and Operations	6,974,724	7,692,318	7,704,241	(11,923)
0052	Security and Monitoring Services	726,381	1,056,381	932,493	123,888
0053	Data Processing Services	1,307,146	1,379,601	1,311,517	68,084
	Total Support Services - Nonstudent Based	9,008,251	10,128,300	9,948,251	180,049
Ancillary Services:					
0061	Community Services	39,850	29,189	28,427	762
	Total Ancillary Services	39,850	29,189	28,427	762
Debt Service:					
0071	Principal on Long-Term Debt	194,000	444,000	458,235	(14,235)
0072	Interest on Long-Term Debt	--	--	27,678	(27,678)
	Total Debt Service	194,000	444,000	485,913	(41,913)
Facilities Acquisition and Construction:					
0081	Facilities Acquisition and Construction	--	1,736,284	4,082,744	(2,346,460)
	Total Facilities Acquisition and Construction	--	1,736,284	4,082,744	(2,346,460)

LUFKIN INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
	Intergovernmental Charges:				
0093	Payments to Fiscal Agent/Member Dist.-SSA	271,814	271,814	271,814	--
0099	Other Intergovernmental Charges	490,000	476,098	476,098	--
	Total Intergovernmental Charges	761,814	747,912	747,912	--
6030	Total Expenditures	63,514,497	66,542,808	69,677,940	(3,135,132)
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	3,026,767	623,456	1,478,689	855,233
	Other Financing Sources (Uses):				
7913	Issuance of Capital Leases	--	898,632	898,632	--
8911	Transfers Out	--	(3,026,288)	(2,903,738)	122,550
7080	Total Other Financing Sources and (Uses)	--	(2,127,656)	(2,005,106)	122,550
1200	Net Change in Fund Balance	3,026,767	(1,504,200)	(526,417)	977,783
0100	Fund Balance - Beginning	26,072,133	26,072,133	26,072,133	--
3000	Fund Balance - Ending	\$ 29,098,900	\$ 24,567,933	\$ 25,545,716	\$ 977,783

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

Exhibit G-2

	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0397559%	0.0409687%	0.0263074%
District's proportionate share of the net pension liability (asset)	\$ 15,023,180	\$ 14,481,890	\$ 7,027,070
State's proportionate share of the net pension liability (asset) associated with the District	28,891,803	28,512,444	26,024,935
Total	\$ 43,914,983	\$ 42,994,334	\$ 33,052,005
District's covered-employee payroll	\$ 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	31.69%	31.13%	15.38%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%

The amounts presented for each fiscal year were determined as of the measurement date which is August 31 of the prior fiscal year.

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS

Exhibit G-3

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,306,254	\$ 1,263,147	\$ 1,213,100
Contributions in relation to the contractually required contribution	<u>(1,306,254)</u>	<u>(1,263,147)</u>	<u>(1,213,100)</u>
Contribution deficiency (excess)	\$ <u> -- </u>	\$ <u> -- </u>	\$ <u> -- </u>
District's covered-employee payroll	\$ 48,914,468	\$ 47,407,377	\$ 46,514,382
Contributions as a percentage of covered-employee payroll	2.67%	2.66%	2.61%

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2015 - August 31, 2016.

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2017

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.

Excess of Expenditures over Appropriations

For the year ended August 31, 2017, expenditures exceeded appropriations in the General Fund by \$3,135,132.

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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*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.

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LUFKIN INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR GOVERNMENTAL FUNDS**

AUGUST 31, 2017

Data Control Codes		Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:					
1110	Cash and Cash Equivalents	\$ 1,315,794	\$ 19,625	\$ 507,214	\$ 1,842,633
1225	Taxes Receivable, Net	--	121,978	--	121,978
1240	Due from Other Governments	1,539,733	--	--	1,539,733
1290	Other Receivables	12,398	--	--	12,398
1300	Inventories	15,185	--	--	15,185
1000	Total Assets	<u>\$ 2,883,110</u>	<u>\$ 141,603</u>	<u>\$ 507,214</u>	<u>\$ 3,531,927</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 100,714	\$ --	\$ --	\$ 100,714
2160	Accrued Wages Payable	179,842	--	--	179,842
2170	Due to Other Funds	1,138,689	--	--	1,138,689
2180	Due to Other Governments	--	19,554	--	19,554
2300	Unearned Revenue	4,495	--	--	4,495
2000	Total Liabilities	<u>1,423,740</u>	<u>19,554</u>	<u>--</u>	<u>1,443,294</u>
DEFERRED INFLOWS OF RESOURCES:					
	Unavailable Property Tax Revenue	--	121,978	--	121,978
2600	Total Deferred Inflows of Resources	<u>--</u>	<u>121,978</u>	<u>--</u>	<u>121,978</u>
FUND BALANCES:					
Nonspendable Fund Balances:					
3410	Inventories	15,185	--	--	15,185
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	1,154,146	--	--	1,154,146
3470	Capital Acquisitions & Contractual Obligations	--	--	507,214	507,214
3480	Retirement of Long-Term Debt	--	71	--	71
3490	Other Restrictions of Fund Balance	290,039	--	--	290,039
3000	Total Fund Balances	<u>1,459,370</u>	<u>71</u>	<u>507,214</u>	<u>1,966,655</u>
4000	Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,883,110</u>	<u>\$ 141,603</u>	<u>\$ 507,214</u>	<u>\$ 3,531,927</u>

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LUFKIN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:					
5700	<i>Local and Intermediate Sources</i>	\$ 1,004,145	\$ 1,015,527	\$ 2,924	\$ 2,022,596
5800	<i>State Program Revenues</i>	928,395	619,231	--	1,547,626
5900	<i>Federal Program Revenues</i>	9,158,547	--	--	9,158,547
5020	Total Revenues	11,091,087	1,634,758	2,924	12,728,769
EXPENDITURES:					
Current:					
0011	<i>Instruction</i>	4,415,115	--	--	4,415,115
0012	<i>Instructional Resources and Media Services</i>	48,874	--	--	48,874
0013	<i>Curriculum and Staff Development</i>	1,132,079	--	--	1,132,079
0021	<i>Instructional Leadership</i>	262,038	--	--	262,038
0023	<i>School Leadership</i>	117,759	--	--	117,759
0031	<i>Guidance, Counseling, & Evaluation Services</i>	110,974	--	--	110,974
0032	<i>Social Work Services</i>	62,198	--	--	62,198
0033	<i>Health Services</i>	21,588	--	--	21,588
0034	<i>Student Transportation</i>	136	--	--	136
0035	<i>Food Service</i>	4,472,834	--	--	4,472,834
0036	<i>Cocurricular/Extracurricular Activities</i>	198,141	--	--	198,141
0041	<i>General Administration</i>	10,124	--	--	10,124
0051	<i>Facilities Maintenance and Operations</i>	18,411	--	--	18,411
0052	<i>Security and Monitoring Services</i>	5,370	--	--	5,370
0061	<i>Community Services</i>	21,103	--	--	21,103
0071	<i>Principal on Long-term Debt</i>	--	2,527,687	--	2,527,687
0072	<i>Interest on Long-term Debt</i>	--	2,042,859	--	2,042,859
0073	<i>Bond Issuance Costs and Fees</i>	--	342,381	--	342,381
6030	Total Expenditures	10,896,744	4,912,927	--	15,809,671
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	194,343	(3,278,169)	2,924	(3,080,902)
Other Financing Sources and (Uses):					
7911	<i>Issuance of Bonds</i>	--	18,484,995	--	18,484,995
7915	<i>Transfers In</i>	52,627	2,903,738	--	2,956,365
7916	<i>Premium on Issuance of Bonds</i>	--	1,416,073	--	1,416,073
8911	<i>Transfers Out</i>	(52,627)	--	--	(52,627)
8949	<i>Payment to Refunded Bonds Escrow Agent</i>	--	(19,549,508)	--	(19,549,508)
7080	Total Other Financing Sources and (Uses)	--	3,255,298	--	3,255,298
1200	Net Change in Fund Balances	194,343	(22,871)	2,924	174,396
0100	Fund Balances - Beginning	1,265,027	22,942	504,290	1,792,259
3000	Fund Balances - Ending	\$ 1,459,370	\$ 71	\$ 507,214	\$ 1,966,655

LUFKIN INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS****AUGUST 31, 2017**

Data Control Codes	211 Title I, Part A - Improving Basic Programs	217 Title I, 1003(a) Priority & Focus School Grant	219 Title I, Part D, Subpart 2	224 IDEA - Part B, Formula
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ --	\$ --	\$ --
1240 <i>Due from Other Governments</i>	473,344	14,889	1,667	347,436
1290 <i>Other Receivables</i>	--	--	--	--
1300 <i>Inventories</i>	--	--	--	--
1000 <i>Total Assets</i>	<u>\$ 473,344</u>	<u>\$ 14,889</u>	<u>\$ 1,667</u>	<u>\$ 347,436</u>
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ 13,518	\$ (245)	\$ --	\$ 9,594
2160 <i>Accrued Wages Payable</i>	--	--	--	98,343
2170 <i>Due to Other Funds</i>	459,826	15,134	1,667	239,499
2300 <i>Unearned Revenue</i>	--	--	--	--
2000 <i>Total Liabilities</i>	<u>473,344</u>	<u>14,889</u>	<u>1,667</u>	<u>347,436</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410 <i>Inventories</i>	--	--	--	--
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	--	--
3490 <i>Other Restrictions of Fund Balance</i>	--	--	--	--
3000 <i>Total Fund Balances</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000 <i>Total Liabilities and Fund Balances</i>	<u>\$ 473,344</u>	<u>\$ 14,889</u>	<u>\$ 1,667</u>	<u>\$ 347,436</u>

225 IDEA - Part B, Preschool	240 National School Breakfast/Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 Title II, Part A - Teacher & Princip. Training & Recruit
\$ --	\$ 1,009,464	\$ --	\$ --	\$ --
262	259,287	--	3,153	214,212
--	8,477	--	--	--
--	15,185	--	--	--
<u>\$ 262</u>	<u>\$ 1,292,413</u>	<u>\$ --</u>	<u>\$ 3,153</u>	<u>\$ 214,212</u>
\$ --	\$ 18,120	\$ --	\$ 675	\$ 830
--	79,827	--	--	--
262	25,135	--	2,478	213,382
--	--	--	--	--
<u>262</u>	<u>123,082</u>	<u>--</u>	<u>3,153</u>	<u>214,212</u>
--	15,185	--	--	--
--	1,154,146	--	--	--
--	--	--	--	--
<u>--</u>	<u>1,169,331</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 262</u>	<u>\$ 1,292,413</u>	<u>\$ --</u>	<u>\$ 3,153</u>	<u>\$ 214,212</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2017

Data Control Codes	263 English Language Acquisition & Enhancement	274 GEAR UP	287 2016-2018 Industry Cluster Perkins	289 LEP Summer School
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ --	\$ --	\$ 659
1240 <i>Due from Other Governments</i>	11,726	15,442	8,414	--
1290 <i>Other Receivables</i>	--	--	--	--
1300 <i>Inventories</i>	--	--	--	--
1000 <i>Total Assets</i>	<u>\$ 11,726</u>	<u>\$ 15,442</u>	<u>\$ 8,414</u>	<u>\$ 659</u>
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ 1,025	\$ 1,200	\$ --	\$ 14
2160 <i>Accrued Wages Payable</i>	--	1,672	--	--
2170 <i>Due to Other Funds</i>	10,701	12,570	8,414	--
2300 <i>Unearned Revenue</i>	--	--	--	645
2000 <i>Total Liabilities</i>	<u>11,726</u>	<u>15,442</u>	<u>8,414</u>	<u>659</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410 <i>Inventories</i>	--	--	--	--
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	--	--
3490 <i>Other Restrictions of Fund Balance</i>	--	--	--	--
3000 <i>Total Fund Balances</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000 <i>Total Liabilities and Fund Balances</i>	<u>\$ 11,726</u>	<u>\$ 15,442</u>	<u>\$ 8,414</u>	<u>\$ 659</u>

315 SSA IDEA - Part B, Discretionary	385 Supplemental Visually Impaired	410 State Textbook Fund	415 Kindergarten and Prekindergarten Grants	427 Math Achievement Academies
\$ --	\$ --	\$ --	\$ --	\$ 1,114
6,167	--	40,456	--	2,800
--	--	--	--	--
--	--	--	--	--
<u>\$ 6,167</u>	<u>\$ --</u>	<u>\$ 40,456</u>	<u>\$ --</u>	<u>\$ 3,914</u>
\$ --	\$ --	\$ 29,205	\$ --	\$ 64
--	--	--	--	--
6,167	--	11,251	--	--
--	--	--	--	3,850
<u>6,167</u>	<u>--</u>	<u>40,456</u>	<u>--</u>	<u>3,914</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ 6,167</u>	<u>\$ --</u>	<u>\$ 40,456</u>	<u>\$ --</u>	<u>\$ 3,914</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS****AUGUST 31, 2017**

Data Control Codes		429	435
		Prekindergarten Grant	Regional Day School for the Deaf
ASSETS:			
1110	Cash and Cash Equivalents	\$ --	\$ --
1240	Due from Other Governments	116,245	24,233
1290	Other Receivables	--	--
1300	Inventories	--	--
1000	Total Assets	<u>\$ 116,245</u>	<u>\$ 24,233</u>
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$ 728	\$ 7,547
2160	Accrued Wages Payable	--	--
2170	Due to Other Funds	115,517	16,686
2300	Unearned Revenue	--	--
2000	Total Liabilities	<u>116,245</u>	<u>24,233</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
3410	Inventories	--	--
Restricted Fund Balances:			
3450	Federal/State Funds Grant Restrictions	--	--
3490	Other Restrictions of Fund Balance	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 116,245</u>	<u>\$ 24,233</u>

461 Campus Activity Funds	499 Other Special Revenue	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ 172,882	\$ 131,675	\$ 1,315,794
--	--	1,539,733
--	3,921	12,398
--	--	15,185
<u>\$ 172,882</u>	<u>\$ 135,596</u>	<u>\$ 2,883,110</u>
\$ 4,062	\$ 14,377	\$ 100,714
--	--	179,842
--	--	1,138,689
--	--	4,495
<u>4,062</u>	<u>14,377</u>	<u>1,423,740</u>
--	--	15,185
--	--	1,154,146
168,820	121,219	290,039
<u>168,820</u>	<u>121,219</u>	<u>1,459,370</u>
<u>\$ 172,882</u>	<u>\$ 135,596</u>	<u>\$ 2,883,110</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, 2017

Data Control Codes		211 Title I, Part A - Improving Basic Programs	217 Title I, 1003(a) Priority & Focus School Grant	219 Title I, Part D, Subpart 2	224 IDEA - Part B, Formula
REVENUES:					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800	State Program Revenues	--	--	--	--
5900	Federal Program Revenues	2,319,633	123,097	22,401	1,384,101
5020	Total Revenues	2,319,633	123,097	22,401	1,384,101
EXPENDITURES:					
Current:					
0011	Instruction	1,288,575	114,961	22,401	1,329,024
0012	Instructional Resources and Media Services	1,062	--	--	--
0013	Curriculum and Staff Development	778,226	8,136	--	--
0021	Instructional Leadership	90,029	--	--	25,337
0023	School Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	49,175	--	--	7,726
0032	Social Work Services	62,198	--	--	--
0033	Health Services	--	--	--	21,408
0034	Student Transportation	--	--	--	--
0035	Food Service	--	--	--	--
0036	Cocurricular/Extracurricular Activities	48,891	--	--	606
0041	General Administration	--	--	--	--
0051	Facilities Maintenance and Operations	1,477	--	--	--
0052	Security and Monitoring Services	--	--	--	--
0061	Community Services	--	--	--	--
6030	Total Expenditures	2,319,633	123,097	22,401	1,384,101
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	--	--
Other Financing Sources and (Uses):					
7915	Transfers In	--	--	--	--
8911	Transfers Out	--	--	--	--
7080	Total Other Financing Sources and (Uses)	--	--	--	--
1200	Net Change in Fund Balances	--	--	--	--
0100	Fund Balances - Beginning	--	--	--	--
3000	Fund Balances - Ending	\$ --	\$ --	\$ --	\$ --

225 IDEA - Part B, Preschool	240 National School Breakfast/Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 Title II, Part A - Teacher & Princip. Training & Recruit
\$ --	\$ 406,051	\$ --	\$ --	\$ --
--	90,901	--	--	--
13,308	4,260,878	113,309	110,075	384,700
<u>13,308</u>	<u>4,757,830</u>	<u>113,309</u>	<u>110,075</u>	<u>384,700</u>
13,308	--	--	57,473	42,250
--	--	--	--	--
--	--	--	--	332,512
--	--	--	--	2,116
--	--	--	--	--
--	--	--	52,602	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	4,359,525	113,309	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	7,822
<u>13,308</u>	<u>4,359,525</u>	<u>113,309</u>	<u>110,075</u>	<u>384,700</u>
--	398,305	--	--	--
--	52,627	--	--	--
--	--	(52,627)	--	--
--	<u>52,627</u>	<u>(52,627)</u>	--	--
--	450,932	<u>(52,627)</u>	--	--
--	718,399	52,627	--	--
<u>\$ --</u>	<u>\$ 1,169,331</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
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	263 English Language Acquisition & Enhancement	274 GEAR UP	287 2016-2018 Industry Cluster Perkins	289 LEP Summer School
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--	--
5900 <i>Federal Program Revenues</i>	156,344	198,469	15,629	4,015
5020 <i>Total Revenues</i>	<u>156,344</u>	<u>198,469</u>	<u>15,629</u>	<u>4,015</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	119,219	134,779	15,629	4,015
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0013 <i>Curriculum and Staff Development</i>	9,495	3,710	--	--
0021 <i>Instructional Leadership</i>	27,630	58,509	--	--
0023 <i>School Leadership</i>	--	--	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	1,471	--	--
0032 <i>Social Work Services</i>	--	--	--	--
0033 <i>Health Services</i>	--	--	--	--
0034 <i>Student Transportation</i>	--	--	--	--
0035 <i>Food Service</i>	--	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0041 <i>General Administration</i>	--	--	--	--
0051 <i>Facilities Maintenance and Operations</i>	--	--	--	--
0052 <i>Security and Monitoring Services</i>	--	--	--	--
0061 <i>Community Services</i>	--	--	--	--
6030 <i>Total Expenditures</i>	<u>156,344</u>	<u>198,469</u>	<u>15,629</u>	<u>4,015</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	--	--	--	--
8911 <i>Transfers Out</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
1200 <i>Net Change in Fund Balances</i>	--	--	--	--
0100 <i>Fund Balances - Beginning</i>	--	--	--	--
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

315 SSA IDEA - Part B, Discretionary	385 Supplemental Visually Impaired	410 State Textbook Fund	427 Math Achievement Academies	429 Prekindergarten Grant
\$ --	\$ --	\$ --	\$ --	\$ --
--	3,000	246,598	2,450	296,588
52,588	--	--	--	--
<u>52,588</u>	<u>3,000</u>	<u>246,598</u>	<u>2,450</u>	<u>296,588</u>
52,588	3,000	246,598	2,450	296,588
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>52,588</u>	<u>3,000</u>	<u>246,598</u>	<u>2,450</u>	<u>296,588</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, 2017

Data Control Codes	435 Regional Day School for the Deaf	461 Campus Activity Funds	499 Other Special Revenue	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 339,212	\$ 258,882	\$ 1,004,145
5800 <i>State Program Revenues</i>	288,858	--	--	928,395
5900 <i>Federal Program Revenues</i>	--	--	--	9,158,547
5020 <i>Total Revenues</i>	<u>288,858</u>	<u>339,212</u>	<u>258,882</u>	<u>11,091,087</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	230,555	218,787	222,915	4,415,115
0012 <i>Instructional Resources and Media Services</i>	--	47,812	--	48,874
0013 <i>Curriculum and Staff Development</i>	--	--	--	1,132,079
0021 <i>Instructional Leadership</i>	58,303	114	--	262,038
0023 <i>School Leadership</i>	--	11,437	106,322	117,759
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	--	110,974
0032 <i>Social Work Services</i>	--	--	--	62,198
0033 <i>Health Services</i>	--	--	180	21,588
0034 <i>Student Transportation</i>	--	136	--	136
0035 <i>Food Service</i>	--	--	--	4,472,834
0036 <i>Cocurricular/Extracurricular Activities</i>	--	56,787	91,857	198,141
0041 <i>General Administration</i>	--	31	10,093	10,124
0051 <i>Facilities Maintenance and Operations</i>	--	847	16,087	18,411
0052 <i>Security and Monitoring Services</i>	--	--	5,370	5,370
0061 <i>Community Services</i>	--	1,000	12,281	21,103
6030 <i>Total Expenditures</i>	<u>288,858</u>	<u>336,951</u>	<u>465,105</u>	<u>10,896,744</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	--	2,261	(206,223)	194,343
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	--	--	--	52,627
8911 <i>Transfers Out</i>	--	--	--	(52,627)
7080 <i>Total Other Financing Sources and (Uses)</i>	--	--	--	--
1200 <i>Net Change in Fund Balances</i>	--	2,261	(206,223)	194,343
0100 <i>Fund Balances - Beginning</i>	--	166,559	327,442	1,265,027
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ 168,820</u>	<u>\$ 121,219</u>	<u>\$ 1,459,370</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, 2017*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2008 and Prior Years	\$	Various	\$	Various	\$	Various
2009		1.04		.113		2,350,252,286
2010		1.04		.172		2,057,448,119
2011		1.04		.16		2,085,170,500
2012		1.04		.165		2,123,601,212
2013		1.04		.17		2,142,161,488
2014		1.04		.167		2,253,455,551
2015		1.04		.173		2,260,211,707
2016		1.17		.043		2,237,252,432
2017 (School Year Under Audit)		1.17		.043		2,208,569,827

1000 Totals

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

10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
\$ 483,274	\$ --	\$ 28,588	\$ 2,170	\$ (118,346)	\$ 334,170
67,021	--	5,587	607	(5,342)	55,485
94,487	--	6,454	1,067	(6,388)	80,578
122,308	--	11,570	1,780	(6,478)	102,480
127,658	--	16,440	2,606	(6,642)	101,970
152,881	--	20,255	3,297	(7,845)	121,484
236,543	--	40,942	6,564	(7,138)	181,899
293,997	--	52,532	8,699	(3,115)	229,651
688,677	--	295,990	10,835	(29,217)	352,635
--	26,789,952	25,291,495	929,044	--	569,413
<u>\$ 2,266,846</u>	<u>\$ 26,789,952</u>	<u>\$ 25,769,853</u>	<u>\$ 966,669</u>	<u>\$ (190,511)</u>	<u>\$ 2,129,765</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

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LUFKIN INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT J-2

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	<i>Local and Intermediate Sources</i>	\$ 440,610	\$ 406,051	\$ (34,559)
5800	<i>State Program Revenues</i>	27,900	90,901	63,001
5900	<i>Federal Program Revenues</i>	3,870,830	4,260,878	390,048
5020	Total Revenues	<u>4,339,340</u>	<u>4,757,830</u>	<u>418,490</u>
	EXPENDITURES:			
	Current:			
	Support Services - Student (Pupil):			
0035	<i>Food Services</i>	4,839,488	4,359,525	479,963
	Total Support Services - Student (Pupil)	<u>4,839,488</u>	<u>4,359,525</u>	<u>479,963</u>
6030	Total Expenditures	<u>4,839,488</u>	<u>4,359,525</u>	<u>479,963</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>(500,148)</u>	<u>398,305</u>	<u>898,453</u>
	Other Financing Sources (Uses):			
7915	<i>Transfers In</i>	--	52,627	52,627
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>52,627</u>	<u>52,627</u>
1200	Net Change in Fund Balance	<u>(500,148)</u>	<u>450,932</u>	<u>951,080</u>
0100	Fund Balance - Beginning	718,399	718,399	--
3000	Fund Balance - Ending	<u>\$ 218,251</u>	<u>\$ 1,169,331</u>	<u>\$ 951,080</u>

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LUFKIN INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 1,011,728	\$ 1,015,527	\$ 3,799
5800	State Program Revenues	653,704	619,231	(34,473)
5020	Total Revenues	<u>1,665,432</u>	<u>1,634,758</u>	<u>(30,674)</u>
	EXPENDITURES:			
	Debt Service:			
0071	Principal on Long-Term Debt	2,317,687	2,527,687	(210,000)
0072	Interest on Long-Term Debt	2,370,833	2,042,859	327,974
0073	Bond Issuance Costs and Fees	233,200	342,381	(109,181)
	Total Debt Service	<u>4,921,720</u>	<u>4,912,927</u>	<u>8,793</u>
6030	Total Expenditures	<u>4,921,720</u>	<u>4,912,927</u>	<u>8,793</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>(3,256,288)</u>	<u>(3,278,169)</u>	<u>(21,881)</u>
	Other Financing Sources (Uses):			
7911	Issuance of Bonds	18,484,995	18,484,995	--
7915	Transfers In	5,915,439	2,903,738	(3,011,701)
7916	Premium on Issuance of Bonds	1,416,073	1,416,073	--
8949	Payment to Refunded Bonds Escrow Agent	(19,549,509)	(19,549,508)	1
7080	Total Other Financing Sources and (Uses)	<u>6,266,998</u>	<u>3,255,298</u>	<u>(3,011,700)</u>
1200	Net Change in Fund Balance	<u>3,010,710</u>	<u>(22,871)</u>	<u>(3,033,581)</u>
0100	Fund Balance - Beginning	22,942	22,942	--
3000	Fund Balance - Ending	<u>\$ 3,033,652</u>	<u>\$ 71</u>	<u>\$ (3,033,581)</u>

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INDEPENDENT AUDITOR'S 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

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, 2017, and the related notes to the financial statements, which collectively comprise Lufkin Independent School District's basic financial statements and have issued our report thereon dated January 9, 2018.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

**INDEPENDENT AUDITOR'S 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* - CONTINUED**

Compliance and Other Matters

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

Purpose of this Report

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

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
January 9, 2018

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INDEPENDENT AUDITOR'S 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

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 *OMB Compliance Supplement* 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 about 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.

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

Report on Compliance for Each Major Federal Program - Continued

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, 2017.

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, 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 or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 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.

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

Report on Internal Control Over Compliance - Continued

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.

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
January 9, 2018

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LUFKIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	ESEA, Title I, Part A - Improving Basic Programs; ESEA, Title I Part D, Subpart 2 - Delinquent Programs; ESEA, Title I, 1003(a) Priority & Focus School Grant

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

LUFKIN INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no prior audit findings relative to federal awards; therefore, the summary schedule of prior audit findings is not required.		

LUFKIN INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2017

There were no current year findings; therefore, a corrective action plan is not required.

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LUFKIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT K-1

Page 1 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients Federal Expenditures
CHILD NUTRITION CLUSTER:			
<u>U. S. Department of Agriculture Programs</u>			
Passed Through Texas Education Agency:			
<i>School Breakfast Program</i>	10.553	71401601	\$ -- \$ 130,904
<i>School Breakfast Program</i>	10.553	71401701	-- 1,079,966
Total CFDA Number 10.553			-- 1,210,870
<i>National School Lunch Program</i>	10.555	71301601	-- 333,674
<i>National School Lunch Program</i>	10.555	71301701	-- 2,385,755
Passed Through Texas Department of Agriculture:			
<i>Food Distribution (Non-cash)</i>	10.555	00011	-- 323,951
Total CFDA Number 10.555			-- 3,043,380
<i>Summer Food Service Program</i>	10.559	00011	-- 113,309
Total Child Nutrition Cluster			-- 4,367,559
FOREST SERVICE SCHOOLS AND ROADS CLUSTER:			
<u>U. S. Department of Agriculture Programs</u>			
Passed Through Angelina County:			
<i>Schools and Roads - Grants to Counties</i>	10.666	N/A	-- 14,443
Total Forest Service Schools and Roads Cluster			-- 14,443
MEDICAID CLUSTER:			
<u>U. S. Department of Health and Human Services Programs</u>			
Passed Through Texas Health and Human Services			
Commission:			
<i>Medicaid Administrative Claim Program</i>	93.778	529-09-0032-00083	-- 26,348
Total Medicaid Cluster			-- 26,348
SPECIAL EDUCATION (IDEA) CLUSTER:			
<u>U. S. Department of Education Programs</u>			
Passed Through Texas Education Agency:			
<i>SSA IDEA - Part B, Discretionary</i>	84.027	176600020039036674	-- 2,250
<i>SSA IDEA - Part B, Discretionary Deaf</i>	84.027	17660011003903	-- 51,371
<i>IDEA - Part B, Formula</i>	84.027	176600010039036600	-- 1,313,053
<i>IDEA - Part B, Formula</i>	84.027	186600010039036600	-- 98,343
Total CFDA Number 84.027			-- 1,465,017
<i>IDEA - Part B, Preschool</i>	84.173	176610010039036610	-- 13,570
Total Special Education (IDEA) Cluster			-- 1,478,587

LUFKIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT K-1
Page 2 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients Federal Expenditures
OTHER PROGRAMS:			
<u>U. S. Department of Education Programs</u>			
Passed Through Texas Education Agency:			
<i>ESEA, Title I, Part A - Improving Basic Programs</i>	84.010	17610101003903	-- 2,364,902
<i>ESEA, Title I Part D, Subpart 2 - Delinquent Programs</i>	84.010	17610103003903	-- 22,814
<i>ESEA, Title I, 1003(a) Priority & Focus School Grant</i>	84.010	17610112003903000	-- 125,448
Total CFDA Number 84.010			-- 2,513,164
 <i>Industry Cluster Perkins</i>	84.048	17392201711002	-- 15,628
<i>Career and Technical - Basic Grant</i>	84.048	17420006003903	-- 112,015
Total CFDA Number 84.048			-- 127,643
 <i>Title III, Part A - English Language Acquisition & Language Enhancement</i>	84.365	17671001003903	-- 159,216
 <i>ESEA, Title II, Part A - Teacher & Principal Training & Recruiting</i>	84.367	17694501003903	-- 391,565
 <i>LEP Summer School</i>	84.369	69551602	-- 4,015
Passed Through Stephen F. Austin State University:			
<i>GEAR UP</i>	84.334	P334A110173-15	-- 198,469
<u>U. S. Department of Agriculture Programs</u>			
Passed Through Texas Department of Agriculture:			
<i>Child Nutrition Discretionary Grants Limited Availability</i>	10.579	00011	-- 6,630
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -- \$ 9,287,639
 <u>Reconciliation to Exhibit C-2</u>			
Total per Exhibit K-1			\$ 9,287,639
Other Federal Revenue			
School Health and Related Services (SHARS)			1,072,838
Total Federal Revenue per Exhibit C-2			\$ 10,360,477

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, 2017

Basis of Presentation

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

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LUFKIN INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2017*

Data Control Codes		Responses
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 a 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?	\$ 512,429
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 15,023,180
SF13	Pension Expense (object 6147) at fiscal year-end.	\$

In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."