

**LUFKIN  
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED AUGUST 31, 2023**



## Introductory Section

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Lufkin Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2023

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
<b>INTRODUCTORY SECTION</b>		
Certificate of Board.....	1	
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	6	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	15	A-1
Statement of Activities.....	16	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	18	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	19	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	20	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....		
Statement of Net Position - Enterprise Funds.....	21	C-3
Statement of Revenues, Expenses, and Changes in Fund Net Position - Enterprise Funds.....	22	D-1
Statement of Cash Flows - Proprietary Funds.....	23	D-2
Statement of Fiduciary Net Position - Fiduciary Funds.....	24	D-3
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	25	E-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	26	E-2
Notes to the Financial Statements .....	27	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	53	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher Retirement System of Texas.....		
Schedule of District's Pension Contributions - Teacher Retirement System of Texas.....	55	G-2
Schedule of the District's Proportionate Share of the Net OPEB Liability - Teacher Retirement System of Texas.....	57	G-3
Schedule of District's OPEB Contributions - Teacher Retirement System of Texas.....	59	G-4
Schedule of District's OPEB Contributions - Teacher Retirement System of Texas.....	61	G-5
Notes to Required Supplementary Information.....	63	
<u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	64	H-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Nonmajor Governmental Funds.....	65	H-2
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	66	H-3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	71	H-4

Lufkin Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2023

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Enterprise Funds:		
Combining Statement of Net Position - Nonmajor Enterprise Funds.....	77	H-5
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Nonmajor Enterprise Funds.....	79	H-6
Combining Statement of Cash Flows - Nonmajor Enterprise Funds.....	81	H-7
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	83	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency.....		
National School Breakfast & Lunch Program.....	85	J-2
Debt Service Fund.....	86	J-3
Use of Funds Report - Select State Allotment Program .....	87	J-4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	88	
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	90	
Schedule of Findings and Questioned Costs .....	93	
Summary Schedule of Prior Audit Findings.....	94	
Corrective Action Plan.....	95	
Schedule of Expenditures of Federal Awards .....	96	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	98	
Schedule of Required Responses to Selected School First Indicators.....	99	L-1

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, 2023, at a meeting of the board of trustees of such school district on the 18<sup>th</sup> day of January, 2024.

Alyson Langston  
Signature of Board Secretary

Kristi Gay  
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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Richard A. Rudel, CPA  
Yvette Sidnell, CPA  
Jennifer L. Webster, CPA  
Susan L. Murrell, CPA  
Brenda A. Johnson



4000 S. Medford Drive  
Lufkin, Texas 75901

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Wilbur E. Alexander, CPA  
(1940-2009)  
Ted A. Lankford, CPA  
(Retired)  
Glenda J. Hiers, CPA  
(Retired)

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Lufkin Independent School District  
Lufkin, Texas

### Report on the Audit of Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lufkin Independent School District (the District) as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lufkin Independent School District as of August 31, 2023 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Change in Accounting Principle*

As described in the notes to the financial statements, in fiscal year 2023, the District adopted new accounting guidance, GASB Statement No. 96, Subscription-Based Information Technology Arrangements. Our opinion is not modified with respect to that matter.

## INDEPENDENT AUDITOR'S REPORT - CONTINUED

### *Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lufkin Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

## INDEPENDENT AUDITOR'S REPORT - CONTINUED

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information on pages 6 through 14 and 53 through 63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

## INDEPENDENT AUDITOR'S REPORT - CONTINUED

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2024 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 effectiveness of Lufkin Independent School District's 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.*

ALEXANDER, LANKFORD & HIERS, INC.  
Certified Public Accountants

Lufkin, Texas  
January 16, 2024

## Financial Section

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## Management's Discussion and Analysis

As management of Lufkin Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance for the fiscal year ended August 31, 2023. Please read it in conjunction with the financial statements which follow this section.

### Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$12,615,930 (net position) for governmental activities and \$165,657 for business-type activities.
- During the year, the District's expenses were \$8,817,760 more than the \$115,270,807 generated in taxes and other revenues for governmental and business-type activities.
- The total cost of the District's programs was \$124,088,567, which is \$17,270,973 (16%) higher than the prior year.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$31,682,426, a decrease of \$18,120,383 from the prior year. The decrease is primarily due to decreases in the general fund and the construction fund.
- The unassigned fund balance of the general fund at August 31, 2023 was \$14,672,523 or 17% of total general fund expenditures.
- The District's long-term obligations decreased by \$4,370,282 (4%) during the current fiscal year.

### Overview of the Financial Statements

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

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

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

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

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

## Management's Discussion and Analysis

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain.

Figure A-1

<b>Major Features of the District's Government-Wide and Fund Financial Statements</b>				
Type of Statements	Government-Wide	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	The activities the District operates that are similar to private businesses	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 Net Position	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Revenues, Expenses and Changes in Fund Net Position	Statement of Changes in Fiduciary Net Position
			Statement of Cash Flows	
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	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, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	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	All revenues and expenses during year, regardless of when cash is received or paid

### Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The 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.

The *statement of net position* presents all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements are referenced as Exhibits A-1 and B-1 in this report.

### Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District can be divided into three categories: governmental, proprietary or fiduciary funds.

## Management's Discussion and Analysis

### ***Governmental Funds***

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances of spendable resources* available at the end of the fiscal year. These funds are reported using an accounting method called *modified accrual* accounting, that requires the recognition of revenue when earned, only so long as the funds are collected within the period or soon enough afterwards to be used to pay liabilities of the current period. Such information may be useful in evaluating a government's near-term financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements, therefore, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental funds financial statements for each major fund of the District. All other funds are combined into a single, aggregated presentation. The District adopts an annual budget for the general fund, and the National School Breakfast and Lunch Program special revenue fund, the debt service fund, and the Construction capital projects fund.

The basic governmental funds financial statements are referenced as Exhibits C-1, C-1R, C-2, and C-3 in this report.

### ***Proprietary Funds***

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses enterprise funds to account for its broadcasting and advertising services as well as sports facilities rental and gym fundraising.

Proprietary funds statements provide the same type of information as the government-wide financial statements only in more detail. The proprietary funds financial statements are referenced as Exhibits D-1 through D-3.

### ***Fiduciary Funds***

*Fiduciary funds* are used to account for assets and activities when the District is functioning as a trustee or a custodian, *fiduciary*, for another party. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

*Custodial funds* account for resources held for the benefit of students. Those funds are not reflected in the District's government-wide financial statements because the resources of the funds are not available to support the District's own operations.

## Management's Discussion and Analysis

### Notes to the Financial Statements

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

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) which further explains and supports the information in the financial statements. The RSI relates to the budgetary comparison schedules and the cost-sharing multiple-employer pension and other postemployment benefits (OPEB) plans in which the District participates. RSI is referenced as Exhibits G-1 through G-5.

The other supplementary information other than RSI that is included in this report immediately follows the RSI and includes the combining statements for nonmajor funds, budgetary comparison schedules for funds that the District legally adopts an annual budget that are not required to be presented as RSI and other schedules required to be included. Those schedules are referenced as H-1 through H-7, J-1 through J-4, K-1 and L-1 in this report. This other supplementary information is presented immediately following RSI.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$12,781,587 at August 31, 2023. The following table reflects the condensed Statement of Net Position.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 50,202,769	\$ 62,630,774	\$ 169,435	\$ 69,724	\$ 50,372,204	\$ 62,700,498
Capital assets	134,070,457	130,541,293	-	-	134,070,457	130,541,293
Total assets	<u>184,273,226</u>	<u>193,172,067</u>	<u>169,435</u>	<u>69,724</u>	<u>184,442,661</u>	<u>193,241,791</u>
Deferred outflows of resources	23,248,211	14,660,003	-	-	23,248,211	14,660,003
Other liabilities	16,661,814	11,209,902	3,778	1,723	16,665,592	11,211,625
Long-term liabilities	150,694,421	145,674,490	-	-	150,694,421	145,674,490
Total liabilities	<u>167,356,235</u>	<u>156,884,392</u>	<u>3,778</u>	<u>1,723</u>	<u>167,360,013</u>	<u>156,886,115</u>
Deferred inflows of resources	27,549,272	29,416,332	-	-	27,549,272	29,416,332
Net position:						
Net investment in capital assets	44,109,929	48,997,437	-	-	44,109,929	48,997,437
Restricted	9,226,409	17,470,809	-	-	9,226,409	17,470,809
Unrestricted (deficit)	(40,720,408)	(44,936,900)	165,657	68,001	(40,554,751)	(44,868,899)
Total net position	<u>\$ 12,615,930</u>	<u>\$ 21,531,346</u>	<u>\$ 165,657</u>	<u>\$ 68,001</u>	<u>\$ 12,781,587</u>	<u>\$ 21,599,347</u>

## Management's Discussion and Analysis

- The largest portion of the District's net position (345%) reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the District's net position (72%) represents resources that are subject to external restrictions on how they may be used.
- The District had a total deficit unrestricted net position of \$40,554,751, which is primarily due to reporting the net pension and OPEB liabilities in accordance with GASB 68 and GASB 75. Those liabilities are reported in the governmental activities; however, the actual liabilities do not require the use of current resources at the fund level.

At the end of the current fiscal year, the District is able to report positive balances in two of the three categories of net position.

### Analysis of the District's Operations

The following table provides a summary of the District's operations for the year ended August 31, 2023. Governmental activities decreased the District's net position by \$8,915,416 while business-type activities increased net position by \$97,656.

## Management's Discussion and Analysis

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2023	2022	2023	2022	2023	2022
Program revenues:						
Charges for services	\$ 851,895	\$ 832,511	\$ 372,936	\$ 346,921	\$ 1,224,831	\$ 1,179,432
Operating grants and contributions	34,828,695	30,787,771	8,031	-	34,836,726	30,787,771
General revenues:						
Property taxes	37,358,251	36,940,051	-	-	37,358,251	36,940,051
State aid	38,755,802	44,204,711	-	-	38,755,802	44,204,711
Investment earnings	2,261,337	362,062	-	-	2,261,337	362,062
Miscellaneous revenues	833,860	240,604	-	20,020	833,860	260,624
Transfers	-	20,000	-	(20,000)	-	-
Total revenues	<u>114,889,840</u>	<u>113,387,710</u>	<u>380,967</u>	<u>346,941</u>	<u>115,270,807</u>	<u>108,506,635</u>
Expenses:						
Instruction, instructional resources, & media services	60,028,441	55,607,278	-	-	60,028,441	55,607,278
Curriculum & staff development	3,696,111	3,960,557	-	-	3,696,111	3,960,557
Instructional leadership	3,380,313	2,872,667	-	-	3,380,313	2,872,667
School leadership	7,031,669	6,899,825	-	-	7,031,669	6,899,825
Guidance, counseling, & evaluation services	3,793,624	3,312,761	-	-	3,793,624	3,312,761
Social work services	96,182	80,914	-	-	96,182	80,914
Health services	1,176,455	1,099,902	-	-	1,176,455	1,099,902
Student transportation	4,031,669	3,025,612	-	-	4,031,669	3,025,612
Food services	5,787,984	5,371,786	-	-	5,787,984	5,371,786
Cocurricular/extracurricular activities	3,317,259	2,455,630	-	-	3,317,259	2,455,630
General administration	4,657,648	3,391,230	-	-	4,657,648	3,391,230
Facilities maintenance & operations	18,900,937	9,603,298	-	-	18,900,937	9,603,298
Security & monitoring services	1,981,269	1,570,787	-	-	1,981,269	1,570,787
Data processing services	2,445,090	2,898,825	-	-	2,445,090	2,898,825
Community services	90,921	109,010	-	-	90,921	109,010
Interest on long-term debt	2,968,678	3,005,913	-	-	2,968,678	3,005,913
Bond issuance costs & fees	90,982	275,901	-	-	90,982	275,901
Facilities acquisition & construction	-	2,199	-	-	-	2,199
Payments related to SSA	330,024	319,202	-	-	330,024	319,202
Other intergovernmental charges	-	653,854	-	-	-	653,854
Panther broadcasting	-	-	73,170	108,841	73,170	108,841
Panther advertising	-	-	57,498	71,717	57,498	71,717
Sport facilities rentals & gym fundraising	-	653,854	152,643	119,885	152,643	119,885
Total expenses	<u>123,805,256</u>	<u>106,517,151</u>	<u>283,311</u>	<u>300,443</u>	<u>124,088,567</u>	<u>106,817,594</u>
Change in net position	(8,915,416)	6,870,559	97,656	46,498	(8,817,760)	6,917,057
Net position, beginning	21,531,346	13,539,401	68,001	21,503	21,599,347	13,560,904
Prior period adjustment	-	1,121,386	-	-	-	1,121,386
Net position, beginning restated	<u>21,531,346</u>	<u>14,660,787</u>	<u>68,001</u>	<u>21,503</u>	<u>21,599,347</u>	<u>14,682,590</u>
Net position, ending	<u>\$ 12,615,930</u>	<u>\$ 21,531,346</u>	<u>\$ 165,657</u>	<u>\$ 68,001</u>	<u>\$ 12,781,587</u>	<u>\$ 21,599,347</u>

## Management's Discussion and Analysis

The District's total revenues were \$115,270,807. A significant portion, thirty-two percent, of the District's revenue comes from taxes. Thirty-four percent comes from state aid, while thirty percent relates to operating grants and contributions. One percent relates to charges for services while investment earnings account for two percent. Property tax rates decreased while values increased during the year.

The total cost of all programs and services was \$124,088,567, and forty-eight percent of these costs are for instructional and student services. The amount that our taxpayers paid for these activities through property taxes was \$37,358,251. Those who directly benefitted from the programs paid \$1,224,831 while grants and contributions paid \$34,836,726.

Business-type activities total revenue and total expenses were each less than one percent of the District's total revenues and total expenses. These activities increased net position by \$97,656.

### 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 District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$31,682,426. Less than one percent of the total is considered nonspendable because it is not in spendable form. Twenty-eight percent or \$8,870,117 of this total is restricted due to external limitations on its use. Twenty-six percent, \$8,070,244, is committed or assigned meaning there are limitations resulting from its intended use. The uses are for construction and capital equipment, the purchase of new furniture and a budgeted deficit in the general fund for fiscal year 2024. Forty-six percent or \$14,672,523 is unassigned.

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 \$14,672,523, while total fund balance was \$22,786,441. 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 seventeen percent of total general fund expenditures, while total fund balance represents twenty-six percent.

The debt service fund has a total fund balance of \$1,420,048, all of which is restricted for the payment of debt service. The District makes semi-annual debt service payments in February and August of each year. The fund balance increased by \$62,235 which is primarily due to an increase in EDA revenue.

The capital projects fund has total fund balance of \$3,901,872 which is restricted for construction. The decrease in fund balance of \$9,434,591 is primarily due to expenditures associated with capital projects of \$9,889,885 during the year.

Revenues from governmental fund types totaled \$112,323,978, an increase of one percent from the preceding year. Expenditures of governmental fund types totaled \$130,444,361, a decrease of one percent from the prior year

## Management's Discussion and Analysis

### Proprietary Funds

The District's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position of the enterprise funds amounted to \$165,657 which was an increase of \$97,656. This increase is primarily due to the decreased expenses in the advertising and broadcasting funds.

### General Fund Budgetary Highlights

The District's budget is controlled at the fund and function level. Over the course of the year, the District revised its budget several times. The differences between the original and final budget for revenues and expenditures were significant (increase of \$2,117,392 in total revenue and increase of \$6,477,461 in total expenditures). The increase in revenue is primarily due to an increase in local and intermediate sources of \$2,986,062 while the increase in total expenditures is the result of an increase in facilities maintenance and operations of \$9,355,572 and a decrease in instruction of \$2,999,421.

Differences between the actual results and the final amended budget were significant for revenues (\$1,577,377 decrease in actual revenues). The decrease in actual revenues is primarily due to a decrease in state program revenues of \$1,022,550. The decrease is primarily due to less Foundation revenue.

### Capital Asset and Debt Administration

#### Capital Assets

At the end of fiscal year 2023, the District had invested \$220,746,921 in a broad range of capital assets, including land, buildings, vehicles, equipment and construction in progress. This amount represents a net increase (including additions and deductions) of \$10,580,476 or five percent over last year. The increase is primarily due to the continued construction on the middle school that was not complete at year end.

	<u>2023</u>	<u>2022</u>
Land	\$ 2,362,483	\$ 2,362,483
Buildings and improvements	150,416,056	149,309,604
Furniture and equipment	15,950,066	15,511,318
Construction in progress	49,274,435	41,565,786
Right-to-use assets	<u>2,743,881</u>	<u>1,417,254</u>
Total cost	220,746,921	210,166,445
Total accumulated depreciation/amortization	<u>(86,676,464)</u>	<u>(79,625,152)</u>
Total	<u>\$ 134,070,457</u>	<u>\$ 130,541,293</u>

The District expects to continue construction at the middle school during fiscal year 2024 with final completion of that project in fiscal year 2025. Additional information on the District's capital assets can be found in the notes to the financial statements.

## Management's Discussion and Analysis

### Long-Term Obligations

At year end, the District had total long-term obligations of \$98,777,420 outstanding. More detailed information about the District's long-term obligations is presented in the notes to the financial statements.

	<u>2023</u>	<u>2022</u>
General obligation bonds	\$ 93,740,000	\$ 97,685,000
Tax maintenance notes	3,830,000	4,275,000
Leases payable	456,263	950,519
Financed purchases	-	237,183
Subscriptions payable	751,157	-
Total	<u>\$ 98,777,420</u>	<u>\$ 103,147,702</u>

The District's long-term obligations decreased \$4,370,282 or four percent from the preceding year. That decrease is primarily due to planned debt payments on bonds and notes. The District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective September 1, 2022. As a result of the implementation, the subscription payables were recorded.

### Economic Factors and Next Year's Budgets and Rates

Appraised property tax value used for the 2023 budget preparation was up from 2022. General operating fund spending per student is expected to increase in fiscal year 2024. The District's 2024 refined average daily attendance is expected to remain the same.

The indicators above were taken into account when adopting the general fund budget for 2024. Amounts available for appropriation in the general fund budget are \$79,128,620, a decrease of one percent from the final 2023 budget.

General fund expenditures are budgeted at \$82,516,864 for 2024, a decrease of seven percent from the final 2023 budget. The District did not budget any transfers in 2024.

If these estimates are realized, the District's budgetary general fund balance is expected to remain the same.

### Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. If there are questions concerning any of the information provided in this report or requests for additional financial information, contact the District's Business Services Department.

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## Basic Financial Statements

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**LUFKIN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2023**

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
1110	\$ 34,877,341	\$ --	\$ 34,877,341
1225	1,998,050	--	1,998,050
1240	13,154,934	--	13,154,934
1260	(155,527)	155,527	--
1290	258,429	13,908	272,337
1300	63,521	--	63,521
1410	6,021	--	6,021
Capital Assets:			
1510	2,362,483	--	2,362,483
1520	77,910,899	--	77,910,899
1530	3,461,889	--	3,461,889
1550	1,060,751	--	1,060,751
1580	49,274,435	--	49,274,435
1000	<u>184,273,226</u>	<u>169,435</u>	<u>184,442,661</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
	993,554	--	993,554
	14,427,914	--	14,427,914
	7,826,743	--	7,826,743
1700	<u>23,248,211</u>	<u>--</u>	<u>23,248,211</u>
<b>LIABILITIES:</b>			
2110	3,539,147	3,778	3,542,925
2140	139,521	--	139,521
2165	6,663,193	--	6,663,193
2180	6,252,591	--	6,252,591
2300	67,362	--	67,362
Noncurrent Liabilities:			
2501	4,878,336	--	4,878,336
2502	99,542,144	--	99,542,144
2540	29,562,742	--	29,562,742
2545	16,711,199	--	16,711,199
2000	<u>167,356,235</u>	<u>3,778</u>	<u>167,360,013</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
	2,017,396	--	2,017,396
	25,531,876	--	25,531,876
2600	<u>27,549,272</u>	<u>--</u>	<u>27,549,272</u>
<b>NET POSITION:</b>			
3200	44,109,929	--	44,109,929
Restricted For:			
3820	2,867,239	--	2,867,239
3850	1,750,472	--	1,750,472
3860	3,901,872	--	3,901,872
3870	229,677	--	229,677
3890	477,149	--	477,149
3900	(40,720,408)	165,657	(40,554,751)
3000	<u>\$ 12,615,930</u>	<u>\$ 165,657</u>	<u>\$ 12,781,587</u>

The accompanying notes are an integral part of this statement.

# LUFKIN INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	Functions/Programs	1  Expenses	3  Charges for Services	4  Program Revenues	
					Operating Grants and Contributions
	Governmental Activities:				
11	Instruction	\$ 59,101,912	\$ 375,526	\$	15,606,882
12	Instructional Resources and Media Services	926,529	55,472		152,635
13	Curriculum and Staff Development	3,696,111	6,979		2,553,842
21	Instructional Leadership	3,380,313	12,462		1,362,390
23	School Leadership	7,031,669	52,996		1,755,040
31	Guidance, Counseling, and Evaluation Services	3,793,624	12,974		1,703,170
32	Social Work Services	96,182	46		91,722
33	Health Services	1,176,455	3,882		549,437
34	Student Transportation	4,031,669	16,777		471,618
35	Food Service	5,787,984	137,711		6,237,678
36	Cocurricular/Extracurricular Activities	3,317,259	35,902		176,943
41	General Administration	4,657,648	25,108		462,649
51	Facilities Maintenance and Operations	18,900,937	93,031		2,530,098
52	Security and Monitoring Services	1,981,269	9,706		312,277
53	Data Processing Services	2,445,090	11,231		215,280
61	Community Services	90,921	2,092		27,850
72	Interest on Long-term Debt	2,968,678	--		288,651
73	Bond Issuance Costs and Fees	90,982	--		--
81	Facilities Acquisition and Construction	--	--		456
93	Payments Related to Shared Services Arrangements	330,024	--		330,077
TG	Total Governmental Activities	<u>123,805,256</u>	<u>851,895</u>		<u>34,828,695</u>
	Business-type Activities:				
01	Panther Broadcasting	73,170	84,000		4,464
02	Panther Advertising	57,498	110,000		--
03	Sport Facilities Rentals	126,703	152,016		3,567
04	LHS Gym Fundraising	25,940	26,920		--
TB	Total Business-type Activities	<u>283,311</u>	<u>372,936</u>		<u>8,031</u>
TP	Total Primary Government	<u>\$ 124,088,567</u>	<u>\$ 1,224,831</u>		<u>\$ 34,836,726</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				
DT	Property Taxes, Levied for Debt Service				
IE	Investment Earnings				
GC	Grants and Contributions Not Restricted to Specific Programs				
MI	Miscellaneous				
TR	Total General Revenues				
CN	Change in Net Position				
NB	Net Position - Beginning				
NE	Net Position - Ending				

The accompanying notes are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (43,119,504)		\$ (43,119,504)
(718,422)		(718,422)
(1,135,290)		(1,135,290)
(2,005,461)		(2,005,461)
(5,223,633)		(5,223,633)
(2,077,480)		(2,077,480)
(4,414)		(4,414)
(623,136)		(623,136)
(3,543,274)		(3,543,274)
587,405		587,405
(3,104,414)		(3,104,414)
(4,169,891)		(4,169,891)
(16,277,808)		(16,277,808)
(1,659,286)		(1,659,286)
(2,218,579)		(2,218,579)
(60,979)		(60,979)
(2,680,027)		(2,680,027)
(90,982)		(90,982)
456		456
53		53
<u>(88,124,666)</u>		<u>(88,124,666)</u>
--	\$ 15,294	15,294
--	52,502	52,502
--	28,880	28,880
--	980	980
--	<u>97,656</u>	<u>97,656</u>
<u>(88,124,666)</u>	<u>97,656</u>	<u>(88,027,010)</u>
30,481,674	--	30,481,674
6,876,577	--	6,876,577
2,261,337	--	2,261,337
38,755,802	--	38,755,802
833,860	--	833,860
<u>79,209,250</u>	<u>--</u>	<u>79,209,250</u>
(8,915,416)	97,656	(8,817,760)
21,531,346	68,001	21,599,347
<u>\$ 12,615,930</u>	<u>\$ 165,657</u>	<u>\$ 12,781,587</u>

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**LUFKIN INDEPENDENT SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2023

Data Control Codes	10 General Fund	ESSER III of the ARP Act	onmf Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>				
1110 Cash and Cash Equivalents	\$ 25,569,675	\$ --	\$ 9,307,666	\$ 34,877,341
1225 Taxes Receivable, Net	1,667,626	--	330,424	1,998,050
1240 Due from Other Governments	5,077,231	4,519,230	3,558,473	13,154,934
1260 Due from Other Funds	6,979,512	--	931,975	7,911,487
1290 Other Receivables	197,268	--	61,161	258,429
1300 Inventories	37,653	--	25,868	63,521
1410 Prepaid Items	6,021	--	--	6,021
1000 Total Assets	<u>\$ 39,534,986</u>	<u>\$ 4,519,230</u>	<u>\$ 14,215,567</u>	<u>\$ 58,269,783</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 2,269,625	\$ 237,551	\$ 1,031,971	\$ 3,539,147
2150 Payroll Deductions and Withholdings	58,849	--	--	58,849
2160 Accrued Wages Payable	4,836,384	--	366,738	5,203,122
2170 Due to Other Funds	1,250,150	4,281,679	2,535,185	8,067,014
2180 Due to Other Governments	6,185,827	--	66,764	6,252,591
2200 Accrued Expenditures	423,911	--	977,311	1,401,222
2300 Unearned Revenue	56,173	--	11,189	67,362
2000 Total Liabilities	<u>15,080,919</u>	<u>4,519,230</u>	<u>4,989,158</u>	<u>24,589,307</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable Property Tax Revenue	1,667,626	--	330,424	1,998,050
2600 Total Deferred Inflows of Resources	<u>1,667,626</u>	<u>--</u>	<u>330,424</u>	<u>1,998,050</u>
<b>FUND BALANCES:</b>				
Nonspendable Fund Balances:				
3410 Inventories	37,653	--	25,868	63,521
3430 Prepaid Items	6,021	--	--	6,021
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	2,841,371	2,841,371
3470 Capital Acquisitions and Contractual Obligations	--	--	3,901,872	3,901,872
3480 Retirement of Long-Term Debt	--	--	1,420,048	1,420,048
3490 Other Restrictions of Fund Balance	--	--	706,826	706,826
Committed Fund Balances:				
3510 Construction	2,800,000	--	--	2,800,000
Assigned Fund Balances:				
3570 Capital Expenditures for Equipment	1,282,000	--	--	1,282,000
3590 Other Assigned Fund Balance	3,988,244	--	--	3,988,244
3600 Unassigned	14,672,523	--	--	14,672,523
3000 Total Fund Balances	<u>22,786,441</u>	<u>--</u>	<u>8,895,985</u>	<u>31,682,426</u>
4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 39,534,986</u>	<u>\$ 4,519,230</u>	<u>\$ 14,215,567</u>	<u>\$ 58,269,783</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, 2023

Total fund balances - governmental funds balance sheet	\$ 31,682,426
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, including right-to-use lease and subscription assets, used in governmental activities are not reported in the funds.	134,070,457
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,998,050
Payables for bond principal which are not due in the current period are not reported in the funds.	(93,740,000)
Payables for right-to-use leases and financed purchases which are not due in the current period are not reported in the funds.	(456,263)
Payables for bond interest which are not due in the current period are not reported in the funds.	(139,521)
Payables for notes which are not due in the current period are not reported in the funds.	(3,830,000)
Payables for subscription based information technology arrangements which are not due and payable in the current period are not reported in the funds.	(751,157)
The deferred charge for refunding is not reported in the funds.	993,554
District's proportionate share of the collective net pension liability is not reported in the funds.	(29,562,742)
District's proportionate share of the collective deferred inflows of resources related to pension plans is not reported in the funds.	(2,017,396)
District's proportionate share of the collective deferred outflows of resources related to pension plans is not reported in the funds.	14,427,914
Bond premiums are amortized in the SNP but not in the funds.	(5,643,060)
District's proportionate share of the net OPEB liability is not reported in the funds.	(16,711,199)
District's proportionate share of the collective deferred inflows of resources related to the OPEB plan is not reported in the funds.	(25,531,876)
District's proportionate share of the collective deferred outflows of resources related to the OPEB plan is not reported in the funds.	<u>7,826,743</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 12,615,930</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, 2023**

Data Control Codes		10 General Fund	ESSER III of the ARP Act	onmf Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 33,059,704	\$ --	\$ 8,463,204	\$ 41,522,908
5800	State Program Revenues	42,959,279	--	1,224,892	44,184,171
5900	Federal Program Revenues	2,605,440	7,553,240	16,458,219	26,616,899
5020	Total Revenues	<u>78,624,423</u>	<u>7,553,240</u>	<u>26,146,315</u>	<u>112,323,978</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	42,375,310	5,295,889	5,263,562	52,934,761
0012	Instructional Resources and Media Services	749,675	55,649	49,604	854,928
0013	Curriculum and Staff Development	1,314,764	285,851	2,097,484	3,698,099
0021	Instructional Leadership	2,021,509	89,112	1,179,312	3,289,933
0023	School Leadership	5,876,872	265,817	692,184	6,834,873
0031	Guidance, Counseling, and Evaluation Services	2,263,670	277,860	1,202,432	3,743,962
0032	Social Work Services	7,574	2,029	87,658	97,261
0033	Health Services	707,333	178,347	271,876	1,157,556
0034	Student Transportation	3,642,405	65,957	--	3,708,362
0035	Food Service	2,356	101,739	5,491,721	5,595,816
0036	Cocurricular/Extracurricular Activities	2,173,665	9,979	143,693	2,327,337
0041	General Administration	4,307,003	36,976	24,630	4,368,609
0051	Facilities Maintenance and Operations	16,407,543	478,149	1,014,731	17,900,423
0052	Security and Monitoring Services	1,900,532	34,738	30,615	1,965,885
0053	Data Processing Services	2,072,814	43,095	2,500	2,118,409
0061	Community Services	1,362	--	89,570	90,932
0071	Principal on Long-term Debt	1,751,891	--	3,956,818	5,708,709
0072	Interest on Long-term Debt	95,762	--	3,326,429	3,422,191
0073	Bond Issuance Costs and Fees	564	--	4,838	5,402
0081	Facilities Acquisition and Construction	497,378	2,029	9,791,482	10,290,889
0093	Payments to Shared Service Arrangements	--	330,024	--	330,024
6030	Total Expenditures	<u>88,169,982</u>	<u>7,553,240</u>	<u>34,721,139</u>	<u>130,444,361</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(9,545,559)</u>	<u>--</u>	<u>(8,574,824)</u>	<u>(18,120,383)</u>
1200	Net Change in Fund Balances	<u>(9,545,559)</u>	<u>--</u>	<u>(8,574,824)</u>	<u>(18,120,383)</u>
0100	Fund Balances - Beginning	32,332,000	--	17,470,809	49,802,809
3000	Fund Balances - Ending	<u>\$ 22,786,441</u>	<u>\$ --</u>	<u>\$ 8,895,985</u>	<u>\$ 31,682,426</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, 2023

Net change in fund balances - total governmental funds	\$ (18,120,383)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	11,083,085
The depreciation/amortization of capital assets, including right-to-use lease and subscription assets, used in governmental activities is not reported in the funds.	(8,438,605)
Disposals of capital assets decrease net position in the SOA but not in the funds.	(450,272)
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.	232,708
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	3,945,000
Repayment of right-to-use lease and financed purchases principal is an expenditure in the funds but is not an expense in the SOA.	734,910
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	445,000
The deferred charge on refunding is amortized in the SOA but not in the funds.	(85,580)
Amount represents the (increase) decrease in accrued interest from beginning of period to end of period.	7,758
Bond premiums are reported as current resources in the funds, but are amortized in the SOA. Amount represents the net of current year premiums and current year amortization expense.	445,755
Proceeds of right-to-use lease payables do not provide revenue in the SOA, but are reported as current resources in the funds.	(3,471)
Pension contributions made after the measurement date, August 31, 2022 are required to be reported as deferred outflows of resources in the SOA.	2,593,782
The District's recognition of its proportional share of the collective net pension expense is recorded in the SOA, but not in the funds.	(4,105,792)
OPEB contributions made after the measurement date, August 31, 2022, are required to be reported as deferred outflows of resources in the SOA.	611,896
The District's recognition of its proportional share of the collective net OPEB expense is recorded in the SOA, but not in the funds.	1,604,994
Repayment of subscription principal is an expenditure in the funds, but is not an expense in the SOA.	<u>583,799</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ (8,915,416)</u>

The accompanying notes are an integral part of this statement.

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF NET POSITION

ENTERPRISE FUNDS

AUGUST 31, 2023

Data Control Codes		Other Enterprise Funds
	<b>ASSETS:</b>	
	Current Assets:	
	Receivables:	
1260	Due from Other Funds	\$ 155,527
1290	Other Receivables, Net	13,908
	Total Current Assets	<u>169,435</u>
1000	Total Assets	<u>169,435</u>
	<b>LIABILITIES:</b>	
	Current Liabilities:	
2110	Accounts Payable	3,778
	Total Current Liabilities	<u>3,778</u>
2000	Total Liabilities	<u>3,778</u>
	<b>NET POSITION:</b>	
3900	Unrestricted	165,657
3000	Total Net Position	<u>\$ 165,657</u>

The accompanying notes are an integral part of this statement.

**LUFKIN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION - ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2023**

Data Control Codes		Other Enterprise Funds
	<b>OPERATING REVENUES:</b>	
5700	Local and Intermediate Sources	\$ 372,936
5800	State Program Revenues	8,031
5020	Total Revenues	<u>380,967</u>
	<b>OPERATING EXPENSES:</b>	
6100	Payroll Costs	128,899
6200	Professional and Contracted Services	111,248
6300	Supplies and Materials	9,985
6400	Other Operating Costs	33,179
6030	Total Expenses	<u>283,311</u>
1300	Change in Net Position	97,656
0100	Total Net Position - Beginning	68,001
3300	Total Net Position - Ending	<u>\$ 165,657</u>

The accompanying notes are an integral part of this statement.

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2023

	Business-Type Activities Enterprise Funds	
	Other Enterprise Funds	Totals
<b>Cash Flows from Operating Activities:</b>		
Cash Received from User Charges	\$ 378,761	\$ 378,761
Cash Payments to Employees for Services	(120,868)	(120,868)
Cash Payments to Other Suppliers for Goods and Services	(257,893)	(257,893)
Net Cash Provided (Used) by Operating Activities	--	--
Net Increase (Decrease) in Cash and Cash Equivalents	--	--
Cash and Cash Equivalents at Beginning of Year	--	--
Cash and Cash Equivalents at End of Year	\$ --	\$ --
<b>Reconciliation of Operating Income to Net Cash     Provided by Operating Activities:</b>		
Operating Income	\$ 97,656	\$ 97,656
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Change in Assets and Liabilities:		
(Increase) in Due from Other Funds	(101,023)	(101,023)
Decrease in Other Receivables, Net	5,825	5,825
Increase in Accounts Payable	2,055	2,055
(Decrease) in Due to Other Funds	(4,513)	(4,513)
Total Adjustments	(97,656)	(97,656)
Net Cash Provided (Used) by Operating Activities	\$ --	\$ --

The accompanying notes are an integral part of this statement.

**LUFKIN INDEPENDENT SCHOOL DISTRICT**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 AUGUST 31, 2023

Data Control Codes		Custodial Funds
		Student Activities
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 235,161
1000	Total Assets	235,161
<b>LIABILITIES:</b>		
2000	Total Liabilities	--
<b>NET POSITION:</b>		
3800	Restricted for Other Purposes	235,161
3000	Total Net Position	\$ 235,161

The accompanying notes are an integral part of this statement.

**LUFKIN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2023**

	Custodial Funds
<b>ADDITIONS:</b>	
Other Revenue - Student Activities	\$ 565,071
Total Additions	<u>565,071</u>
<b>DEDUCTIONS:</b>	
Student Activity Expense	637,520
Total Deductions	<u>637,520</u>
<b>Change in Fiduciary Net Position</b>	(72,449)
Net Position-Beginning of the Year	<u>307,610</u>
Net Position-End of the Year	<u>\$ 235,161</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, 2023

### 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. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and 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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

# LUFKIN INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

ESSER III of the ARP Act (ESSER III): This fund accounts for the federal stimulus funds from the Elementary and Secondary Emergency Relief (ESSER) Fund received through the American Rescue Plan (ARP) Act of 2021.

In addition, the District reports the following fund types:

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

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or custodial 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, Proprietary, and Fiduciary Fund Financial Statements:** These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements 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 lease contracts 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. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2023

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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. The allowance for uncollectible taxes was \$856,308 at August 31, 2023.

c. 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.

d. Capital Assets

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

Capital assets, including right-to-use lease and subscription assets, are being depreciated or amortized 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
Right-to-use lease assets - equipment	2 - 4
Right-to-use subscription assets	3

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary Statements 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.

# LUFKIN INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

For the year ended August 31, 2023, the District has items that qualify for reporting as deferred outflows of resources and deferred inflows of resources. The District reports the deferred outflows and deferred inflows related to the Teacher Retirement System of Texas (TRS) net pension and net OPEB liabilities only on the government-wide Statement of Net Position. Those items are detailed in Notes L and M. The deferred charge on refundings is related to the refunding bonds issued in 2015, 2016, 2017 and 2020. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. 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.

f. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is not provided in the financial statements to avoid obscuring 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.

g. 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.

h. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

i. 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.

j. Leases

The District is a lessee for noncancelable leases of property and equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments. The lease asset is initially measured at the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

# LUFKIN INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District uses its estimated incremental borrowing rate as the discount rate.
- The lease term includes the noncancelable period of the lease.
- Lease payments included in the measurement of the liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the District is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

### k. Subscription-Based Information Technology Arrangements (SBITA)

The District has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying assets). The District recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements.

At the commencement of a SBITA, the District measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of SBITA payments. The subscription asset is initially measured at the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets.

Key estimates and judgements related to SBITAs include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The District uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the District uses its estimated incremental borrowing rate as the discount rate.
- The subscription term includes the noncancelable period of the subscription.
- Subscription payments included in the measurement of the liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the District is reasonably certain to exercise, subscription contract incentives receivable from the subscription vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The District monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

# LUFKIN INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

### 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.

### m. 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 and proprietary 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 net position to have been depleted before unrestricted net position is applied.

### n. 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.

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2023

4. Pensions

The fiduciary net position of the TRS pension plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net 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.

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

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

*GASB Statement No. 96, Subscription-Based Information Technology Arrangements*

This Statement provides guidance on the accounting and financial reporting for SBITAs for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with the underlying IT assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.

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:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

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:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2023

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, 2023, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$11,673,051 and the bank balance was \$13,681,979. The District's cash deposits at August 31, 2023 and during the year ended August 31, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the pledging financial 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 (PFIA), 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 PFIA requires a review of investment practices and controls over investments to be performed in conjunction with the annual financial audit. The District is in compliance with the requirements of the PFIA and with local policies.

The PFIA 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, and 10) commercial paper, and 11) interest-bearing deposits.

The District's investment at August 31, 2023 is shown below.

<u>Investment or Investment Type</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
<u>Cash Equivalents - Money Market Mutual Funds</u>		
TexPool	23 days	\$ <u>23,427,767</u>

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 deposit and investment 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.

# LUFKIN INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

The District's investment policy does not limit its investment in public funds investment pools based on credit ratings. At August 31, 2023, the District's investment in TexPool was rated AAAM as to credit quality by Standard & Poor's.

b. 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 PFIA. 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 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 Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members advise on the investment policy and approve any fee increases. All investments are stated at amortized cost, which approximates fair value. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at [www.ttstc.org](http://www.ttstc.org).

# LUFKIN INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

### D. Capital Assets

Capital asset activity for the year ended August 31, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated/amortized:				
Land	\$ 2,362,483	\$ --	\$ --	\$ 2,362,483
Construction in progress	41,565,786	9,679,443	1,970,794	49,274,435
Total capital assets not being depreciated/amortized	43,928,269	9,679,443	1,970,794	51,636,918
Capital assets being depreciated/amortized:				
Buildings and improvements	149,309,604	2,455,438	1,348,986	150,416,056
Furniture and equipment	15,511,318	915,527	476,779	15,950,066
Right-to-use lease assets - equipment	1,417,254	3,471	11,800	1,408,925
Right-to-use subscription assets	--	1,334,956	--	1,334,956
Total capital assets being depreciated	166,238,176	4,709,392	1,837,565	169,110,003
Less accumulated depreciation/amortization for:				
Buildings and improvements	(66,941,082)	(6,474,589)	(910,514)	(72,505,157)
Furniture and equipment	(12,162,674)	(802,282)	(476,779)	(12,488,177)
Right-to-use lease assets - equipment	(521,396)	(542,201)	--	(1,063,597)
Right-to-use subscription assets	--	(619,533)	--	(619,533)
Total accumulated depreciation/amortization	(79,625,152)	(8,438,605)	(1,387,293)	(86,676,464)
Total capital assets being depreciated/amortized, net	86,613,024	(3,729,213)	450,272	82,433,539
Governmental activities capital assets, net	\$ <u>130,541,293</u>	\$ <u>5,950,230</u>	\$ <u>2,421,066</u>	\$ <u>134,070,457</u>

Depreciation was charged to functions as follows:

Instruction	\$ 4,991,995
Instructional Resources and Media Services	46,876
Instructional Leadership	42,227
Student Transportation	810,194
Food Services	205,266
Cocurricular/Extracurricular Activities	998,185
General Administration	214,690
Plant Maintenance and Operations	750,789
Security and Monitoring Services	90,367
Data Processing Services	288,016
	<u>\$ 8,438,605</u>

# LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2023

## E. Interfund Balances and Activities

### 1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2023, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 2,535,185	Short-term advances
General Fund	ESSER III	4,281,679	Short-term advances
Nonmajor Enterprise Funds	General Fund	155,527	Short-term advances
Other Governmental Funds	General Fund	931,974	Short-term advances
General Fund	General Fund	162,649	Short-term advances
	Total	\$ <u>8,067,014</u>	

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

### 2. Transfers To and From Other Funds

There were no transfers to and from other funds at August 31, 2023.

## F. Due to/Due From Other Governments

Due from other governments consisted of the following at August 31, 2023:

	General Fund	ESSER III	Other Governmental Funds	Total
Due from State - Days of Instruction	\$ 4,815,718	\$ --	\$ --	\$ 4,815,718
Due from State - Grant programs	--	4,519,230	3,394,243	7,913,473
Due from Federal Agencies	261,513	--	164,230	425,743
Total	\$ <u>5,077,231</u>	\$ <u>4,519,230</u>	\$ <u>3,558,473</u>	\$ <u>13,154,934</u>

Due to other governments consisted of the following at August 31, 2023:

	General Fund	Other Governmental Funds	Total
Due to State - Foundation	\$ 6,185,827	\$ --	\$ 6,185,827
Due to State - EDA	--	66,764	66,764
Total	\$ <u>6,185,827</u>	\$ <u>66,764</u>	\$ <u>6,252,591</u>

## G. Long-Term Obligations

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

# LUFKIN INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

### 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, 2023, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 97,685,000	\$ --	\$ 3,945,000	\$ 93,740,000	\$ 3,485,000
Notes from direct borrowings and direct placements	4,275,000	--	445,000	3,830,000	450,000
Total bonds and notes	101,960,000	--	4,390,000	97,570,000	3,935,000
Leases payable	950,519	3,471	497,727	456,263	380,570
Financed purchases	237,183	--	237,183	--	--
Subscriptions payable	--	1,334,956	583,799	751,157	562,766
Unamortized bond premiums	6,088,815	--	445,755	5,643,060	--
Total governmental activities	\$ <u>109,236,517</u>	\$ <u>1,338,427</u>	\$ <u>6,154,464</u>	\$ <u>104,420,480</u>	\$ <u>4,878,336</u>

### 2. Bonds and Notes Payable

The following is a summary of bonds payable currently outstanding at August 31, 2023:

	Interest Rates	Maturity Date	Amount
Unlimited Tax Refunding Bonds, Series 2015	2.25% to 3.65%	2038	\$ 7,885,000
Unlimited Tax Refunding Bonds, Series 2016	2% to 4%	2039	7,600,000
Unlimited Tax Refunding Bonds, Series 2017	1.5% to 3.15%	2039	8,660,000
Unlimited Tax School Building & Refunding Bonds, Series 2018	3.125% to 5%	2043	36,725,000
Unlimited Tax School Building Bonds, Series 2020	2% to 5%	2045	23,735,000
Unlimited Tax School Building Bonds, Series 2022	2% to 5%	2045	9,135,000
Total Bonds			\$ <u>93,740,000</u>

The District's outstanding notes payable at August 31, 2023 consisted of the following:

	Interest Rates	Maturity Date	Amount
Maintenance Tax Notes, Series 2021	1% to 2%	2031	\$ <u>3,830,000</u>

# LUFKIN INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

### 3. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2023, are as follows:

Year Ending August 31,	Governmental Activities			
	Bonds		Notes from Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2024	\$ 3,485,000	\$ 3,156,858	\$ 450,000	\$ 52,100
2025	3,620,000	2,997,301	460,000	43,100
2026	3,760,000	2,831,226	470,000	33,900
2027	3,900,000	2,658,756	480,000	24,500
2028	4,065,000	2,486,906	485,000	19,700
2029-2033	23,010,000	10,067,969	1,485,000	29,800
2034-2038	26,905,000	6,185,521	--	--
2039-2043	20,775,000	2,320,448	--	--
2044-2046	4,220,000	174,460	--	--
Totals	<u>\$ 93,740,000</u>	<u>\$ 32,879,445</u>	<u>\$ 3,830,000</u>	<u>\$ 203,100</u>

### 4. Financed Purchases

The District entered into a lease with Dell Financial Services (Dell) in a prior year to finance the purchase of technology equipment. The lease with Dell matured during fiscal year 2023. The lease had an interest rate of 4.18%. The servers acquired with this lease did not exceed the District's capitalization threshold.

### H. Leases

In prior years, the District entered into lease agreements with Wells Fargo and Dell Financial Services (Dell) for the acquisition and use of copiers and technology equipment, respectively. During fiscal year 2023, the District entered into a new four year lease agreement with Wells Fargo for the acquisition and use of copiers. An initial lease liability of \$3,471 was recorded for the new lease. The District is required to make monthly principal and interest payments for Wells Fargo and annual principal and interest payments for Dell. The right-to-use assets associated with these leases are amortized over the terms of the leases. Amortization is included with depreciation and details of the right-to-use assets are shown in the capital asset footnote.

The following is a summary of leases payable currently outstanding at August 31, 2023:

	Interest Rates	Maturity Date	Amount
Wells Fargo - FY 22 and prior	2.96%	9/2024	\$ 25,661
Wells Fargo - FY 23	2.96%	8/2026	2,641
Dell Financial Services - Teacher Computers	2.46%	2/2024	281,921
Dell Financial Services - Micro Towers	2.46%	11/2024	146,040
			<u>\$ 456,263</u>

The future principal and interest lease payments as of August 31, 2023 are as follows:

Year ending August 31,	Principal	Interest	Total
2024	\$ 380,570	\$ 10,682	\$ 391,252
2025	74,786	1,858	76,644
2026	907	14	921
	<u>\$ 456,263</u>	<u>\$ 12,554</u>	<u>\$ 468,817</u>

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2023

I. Subscription-Based Information Technology Arrangements

The District entered into various subscription arrangements with IT vendors that allows for the right to use information technology over the terms of the subscriptions. In prior fiscal years, the District had arrangements with Edgenuity, ComWare, and Dell Financial Services (Dell) for IT subscriptions. During fiscal year 2023, the District entered into new SBITAs with Dell and GoGuardian for the use of information technology. The District is required to make annual principal and interest payments for all SBITAs. The right-to-use subscription assets associated with these subscription liabilities are amortized over the terms of the arrangement. Amortization is included with depreciation and details of the subscription assets are shown in the capital asset footnote.

The terms, rates, and ending balances for subscription liabilities at August 31, 2023 are as follows:

	Interest Rates	Subscription Term	Amount
Dell Financial Services	2.73% - 4.95%	36 months	\$ 591,977
Other IT Vendors	0.32% - 3.33%	36 months	159,180
			<u>\$ 751,157</u>

The future principal and interest SBITA payments as of August 31, 2023 are as follows:

Year ending August 31,	Principal	Interest	Total
2024	\$ 562,766	\$ 23,600	\$ 586,366
2025	188,391	8,136	196,527
	<u>\$ 751,157</u>	<u>\$ 31,736</u>	<u>\$ 782,893</u>

J. Fund Balance

At August 31, 2023, other assigned fund balance consists of \$3,388,244 for the budgeted deficit for the 23-24 school year and \$600,000 for furniture for the middle school. The assigned fund balance for capital expenditures for equipment includes \$832,000 for the energy efficiency project and \$450,000 for turf.

K. 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 2023, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

The District is a member of the TASB Risk Management Fund (the Fund). 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 Unemployment 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, 2023

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 the Fund's self-insured retention of \$2,000,000. The Fund uses the services of an independent actuary to determine the reserve adequacy and fully funds those reserves. As of August 31, 2022, the Fund carries a discounted reserve of \$50,647,775 for future development on reported claims and claims that have been incurred but not yet reported.

For the year ended August 31, 2023, 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, 2022 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance.

### L. 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 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 workload 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 TRS pension plan's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained by calling (512) 542-6592; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or on the Internet at [https://www.trs.texas.gov/Pages/about\\_publications.aspx](https://www.trs.texas.gov/Pages/about_publications.aspx).

#### 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, 2023

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize the TRS pension plan's 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. Actuarial implications of the funding provided in the manner are determined by the TRS pension plan's actuary.

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 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	Contribution Rates	
	2022	2023
Member	8.0%	8.0%
Non-Employer Contributing Entity (NECE) - State	7.75%	8.0%
Employers	7.75%	8.0%
Employer Contributions (fiscal year)		\$ 2,593,782
Member Contributions (fiscal year)		4,940,238
NECE On-Behalf Contributions (measurement year)	\$ 3,308,673	

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any 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 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2023

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 1.7 percent of the member's salary beginning in fiscal year 2022, gradually increasing to 2 percent in fiscal year 2025.
- 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.

5. Actuarial Assumptions

The total pension liability in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Last year ending August 31 in Projection Period	2121
Inflation	2.30%
Salary Increases including inflation	2.95% to 8.95%
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions, please see the actuarial valuation report dated November 12, 2021.

6. Discount Rate

A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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 expected rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate 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, 2023

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022 are summarized below:

Asset Class *	Target Allocation **	Long-Term Expected Arithmetic Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
<b>Global Equity</b>			
USA	18.0%	4.6%	1.12%
Non-U.S. Developed	13.0%	4.9%	0.90%
Emerging Markets	9.0%	5.4%	0.75%
Private Equity	14.0%	7.7%	1.55%
<b>Stable Value</b>			
Government Bonds	16.0%	1.0%	0.22%
Absolute Return	0.0%	3.7%	0.00%
Stable Value Hedge Funds	5.0%	3.4%	0.18%
<b>Real Return</b>			
Real Estate	15.0%	4.1%	0.94%
Energy, Natural Resources and Infrastructure	6.0%	5.1%	0.37%
Commodities	0.0%	3.6%	0.00%
<b>Risk Parity</b>	8.0%	4.6%	0.43%
<b>Asset Allocation Leverage</b>			
Cash	2.0%	3.0%	0.01%
Asset Allocation Leverage	(6.0%)	3.6%	(0.05)%
<b>Inflation Expectation</b>			2.70%
<b>Volatility Drag ****</b>			(0.91)%
<b>Expected Return</b>	100.0%		8.19%

\* Absolute Return includes Credit Sensitive Investments.  
 \*\* Target allocations are based on the FY2022 policy model.  
 \*\*\* Capital Market Assumptions come from Aon Hewitt (as of 08/31/2022)  
 \*\*\*\* The volatility drag results from the conversion between arithmetic and geometric mean returns.

## 7. Discount Rate Sensitivity Analysis

The following table presents the net pension liability (NPL) of the plan using a discount rate of 7.00 percent, and what the position liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the NPL	\$ 45,988,418	\$ 29,562,742	\$ 16,248,961

# LUFKIN INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

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

At August 31, 2023, the District reported a liability of \$29,562,742 for its proportionate share of the TRS NPL. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the NPL, the related State support, and the total portion of the NPL that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 29,562,742
State's proportionate share that is associated with District	<u>42,094,935</u>

Total	<u>\$ 71,657,677</u>
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The NPL was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the total pension liability used to calculate the NPL was determined by an actuarial valuation as of that date. The District's proportion of the NPL 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, 2021 thru August 31, 2022.

At August 31, 2022, the employer's proportion of the collective net pension liability was 0.0497962315 percent which was an increase (decrease) of 0.0062795287 percent from its proportion measured as of August 31, 2021.

Changes Since the Prior Actuarial Valuation

The actuarial assumptions and methods have been modified since the determination of the prior year's NPL. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the discount rate from 7.25 percent to 7.00 percent.

For the year ended August 31, 2023, the District recognized pension expense of \$4,023,799 and revenue of \$4,023,799 for support provided by the State. The District also recognized their proportionate share of pension expense of 4,105,792.

At August 31, 2023, 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 actuarial experience	\$ 428,657	\$ 644,524
Changes in actuarial assumptions	5,508,501	1,372,872
Difference between projected and actual investment earnings	2,920,704	--
Changes in proportion and difference between District's contributions and the proportionate share of contributions	2,976,270	--
Contributions paid to TRS subsequent to the measurement date	<u>2,593,782</u>	<u>--</u>
Total	<u>\$ 14,427,914</u>	<u>\$ 2,017,396</u>

# LUFKIN INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

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:

Measurement Year Ended August 31,	Pension Expense Amount
2023	\$ 2,555,818
2024	1,647,915
2025	925,625
2026	3,898,965
2027	788,413
Thereafter	--

### 9. Payable to Pension Plan

At August 31, 2023, the District's payable to the plan for legally required contributions for the month of August was \$701,937. That amount was paid in the subsequent month.

## M. Defined Other Post-Employment Benefit Plans

### 1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

### 2. OPEB Plan Fiduciary Net Position

Detail information about TRS-Care's fiduciary net position is available in the separately issued TRS ACFR that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/Pages/about\\_publications.aspx](https://www.trs.texas.gov/Pages/about_publications.aspx); by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

### 3. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public and charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2023

The premium rates for retirees are reflected in the following table.

	TRS-Care Monthly Premium Rates	
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

4. Contributions

Contribution rates for TRS-Care are established in State Statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. TRS-Care is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and participating employers are based on active employee compensation. The TRS board does not have the authority to set or amend contribution rates.

Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of Salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2022	2023
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity - State	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%
Employer Contributions (fiscal year)		\$ 611,896
Member Contributions (fiscal year)		401,393
NECE On-Behalf Contributions (measurement year)	\$ 699,259	

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS-Care program). When hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$83 million in fiscal year 2022 from the Federal Rescue Plan Act to help defray Covid-19-related health care costs during fiscal year 2022.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the Total OPEB Liability (TOL) to August 31, 2022. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

# LUFKIN INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022:

Rates of Mortality	Rates of Termination	General Inflation
Rates of Retirement	Rates of Disability	Wage Inflation

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018.

### Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 2022
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Ad hoc post-employment benefit changes	None

The election rates for normal retirement were 62% participation rate prior to age 65 and 25% participation rate after age 65. For pre-65 retirees, 30% of pre-65 retirees are assumed to discontinue coverage at age 65.

The initial medical trend rates were 8.25 percent for Medicare retirees and 7.25 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.25 percent for all retirees. The initial trend rates decrease to an an ultimate trend rate of 4.25 percent over a period of 13 years.

### 6. Discount Rate

A single discount rate of 3.91 percent was used to measure the TOL. This was an increase of 1.96 percent in the discount rate since the previous year. Since the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the TOL.

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

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2023

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (3.91%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.91%)	Current Single Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
District's proportionate share of the net OPEB liability	\$ 19,703,829	\$ 16,711,199	\$ 14,286,784

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

At August 31, 2023, the District reported a liability of \$16,711,199 for its proportionate share of the TRS net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 16,711,199
State's proportionate share that is associated with the District	<u>20,385,037</u>
Total	<u>\$ 37,096,236</u>

The net OPEB liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the TOL used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2021 thru August 31, 2022.

At August 31, 2022, the District's proportion of the collective net OPEB liability was 0.0697928292 percent, an increase (decrease) of 0.0040607276 percent from its proportion measured as of August 31, 2021.

The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1 percent less than and 1 percent greater than the health trend rates assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of the net OPEB liability	\$ 13,770,103	\$ 16,711,199	\$ 20,523,951

Changes Since the Prior Actuarial Valuation

There were changes to the actuarial assumptions or other inputs that affected measurement of the TOL since the prior measurement period. The discount rate was changed from 1.95 percent as of August 31, 2021 to 3.91 percent as of August 31, 2022. This change decreased the TOL.

There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2023, the District recognized OPEB expense (benefit) of \$(2,892,801) and revenue of \$(2,892,801) for support provided by the State. The amount of OPEB expense recognized by the District in the reporting period was \$(1,604,994).

# LUFKIN INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

At August 31, 2023, the District reported its proportionate share of TRS-Care's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 929,084	\$ 13,921,929
Changes in actuarial assumptions	2,545,447	11,609,947
Difference between projected and actual investment earnings	49,779	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	3,690,537	--
Contributions paid to TRS subsequent to the measurement date	611,896	--
<b>Total</b>	<b>\$ 7,826,743</b>	<b>\$ 25,531,876</b>

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

Measurement Year Ended August 31,	OPEB Expense Amount
2023	\$ (3,506,053)
2024	(3,505,872)
2025	(2,797,213)
2026	(1,837,799)
2027	(2,329,987)
Thereafter	(4,340,105)

### 9. Payable to OPEB Plan

At August 31, 2023, the District's payable to the plan for legally required contributions for the month of August was \$101,630. That amount was paid in the subsequent month.

### N. 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 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 year ended August 31, 2023, the subsidy payments received by TRS-Care on behalf of the District were \$329,288.

### O. Employee Health Care Coverage

During the year ended August 31, 2023, employees of the District were covered by a health insurance plan (the Plan). The District is a member of TRS-ActiveCare, a statewide 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 Blue Cross and Blue Shield of Texas and CVS Caremark.

The District paid premiums of \$300 per month per employee. 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.

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2023

P. Commitments and Contingencies

1. Contingencies - Grants

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.

2. Litigation

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the District's opinion that the resolution of these matters will not have a material adverse effect on the financial condition of the District.

3. Commitments

At August 31, 2023, the District has remaining commitments for projects as follows:

<u>Vendor</u>	<u>Project</u>	<u>Amount</u>
Berry & Clay, Inc.	Lufkin Middle School	\$ 3,233,387
E3 Entegral Soutlions, Inc.	Energy Efficiency & Facility Improvement	831,858

Q. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides a Regional Day Shool Program for the Deaf to the member districts listed below. All services are provided by the fiscal agent. The funding for the SSA comes directly to the fiscal agent from federal and state grants. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 2 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Lufkin ISD	\$ 191,695
Central ISD	8,320
Zavalla ISD	17,000
Hudson ISD	21,320
Diboll ISD	5,320
Corrigan-Camden ISD	4,970
Groveton ISD	2,970
Crockett ISD	4,970
West Sabine ISD	5,930
Broadus ISD	21,970
San Augustine ISD	8,500
Huntington ISD	8,820
Total	\$ <u>301,785</u>

# LUFKIN INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

### Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("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.

### R. Risks and Uncertainties

The COVID-19 pandemic was ongoing during the fiscal year ended August 31, 2023. Measures taken by various governments to contain the virus have affected economic activity. Various safety and health measures have been implemented by the District to monitor and mitigate the effects of the virus on its students and employees. As of the date that these financial statements were available to be issued, the COVID-19 public health emergency declaration has ended; however, COVID-19 is still occurring in the United States as well as around the world. As the spread of COVID-19 continues, the potential impact is difficult to assess.

### S. Related Parties

During fiscal year 2023, the District paid \$273,139 for architect fees to a vendor owned by family members of a board member.

### T. Adoption of New Standard

The District has adopted GASB Statement No. 96 which is described in Note A. Prior to the implementation of this statement, the District's costs associated with SBITAs were expensed. After the implementation of this statement, SBITA liabilities and intangible right-to-use assets are recorded for SBITAs with terms that exceed twelve months. All of the information technology arrangements in effect at the date of implementation were evaluated in accordance with GASB 96. Arrangements that had terms exceeding twelve months subject to the statement were accounted for in accordance with that statement. The net effect on the government-wide statements was an increase in total assets and total liabilities of \$769,441 as of September 1, 2022. This recorded the subscription liabilities and the right-to-use subscription assets. There was no effect on the fund financial statements due to implementation.

## Required Supplementary Information

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

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2023

**EXHIBIT G-1**

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 30,420,980	\$ 33,407,042	\$ 33,059,704	\$ (347,338)
5800	State Program Revenues	46,044,928	43,981,829	42,959,279	(1,022,550)
5900	Federal Program Revenues	1,618,500	2,812,929	2,605,440	(207,489)
5020	Total Revenues	<u>78,084,408</u>	<u>80,201,800</u>	<u>78,624,423</u>	<u>(1,577,377)</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction and Instructional Related Services:					
0011	Instruction	43,580,496	40,581,075	42,375,310	(1,794,235)
0012	Instructional Resources and Media Services	831,187	827,412	749,675	77,737
0013	Curriculum and Instructional Staff Development	2,130,157	1,331,690	1,314,764	16,926
	Total Instruction and Instr. Related Services	<u>46,541,840</u>	<u>42,740,177</u>	<u>44,439,749</u>	<u>(1,699,572)</u>
Instructional and School Leadership:					
0021	Instructional Leadership	1,987,244	1,999,560	2,021,509	(21,949)
0023	School Leadership	5,797,923	5,978,548	5,876,872	101,676
	Total Instructional and School Leadership	<u>7,785,167</u>	<u>7,978,108</u>	<u>7,898,381</u>	<u>79,727</u>
Student Support Services:					
0031	Guidance, Counseling and Evaluation Services	3,338,984	2,157,531	2,263,670	(106,139)
0032	Social Work Services	1,000	7,000	7,574	(574)
0033	Health Services	1,070,485	653,215	707,333	(54,118)
0034	Student Transportation	2,980,558	3,921,092	3,642,405	278,687
0035	Food Services	--	2,356	2,356	--
0036	Cocurricular/Extracurricular Activities	1,943,717	2,163,023	2,173,665	(10,642)
	Total Student Support Services	<u>9,334,744</u>	<u>8,904,217</u>	<u>8,797,003</u>	<u>107,214</u>
Administrative Support Services:					
0041	General Administration	3,398,624	4,187,735	4,307,003	(119,268)
	Total Administrative Support Services	<u>3,398,624</u>	<u>4,187,735</u>	<u>4,307,003</u>	<u>(119,268)</u>
Support Services:					
0051	Facilities Maintenance and Operations	9,102,500	18,458,072	16,407,543	2,050,529
0052	Security and Monitoring Services	1,551,541	1,897,573	1,900,532	(2,959)
0053	Data Processing Services	2,298,035	2,210,778	2,072,814	137,964
	Total Support Services	<u>12,952,076</u>	<u>22,566,423</u>	<u>20,380,889</u>	<u>2,185,534</u>
Ancillary Services:					
0061	Community Services	27,770	1,450	1,362	88
	Total Ancillary Services	<u>27,770</u>	<u>1,450</u>	<u>1,362</u>	<u>88</u>
Debt Service:					
0071	Debt Service	1,269,476	1,616,167	1,751,891	(135,724)
0072	Interest on Long-Term Debt	118,292	95,198	95,762	(564)
0073	Bond Issuance Costs and Fees	--	806	564	242
	Total Debt Service	<u>1,387,768</u>	<u>1,712,171</u>	<u>1,848,217</u>	<u>(136,046)</u>
Facilities Acquisition and Construction:					
0081	Facilities Acquisition and Construction	--	835,070	497,378	337,692
	Total Facilities Acquisition and Construction	<u>--</u>	<u>835,070</u>	<u>497,378</u>	<u>337,692</u>

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2023

**EXHIBIT G-1**  
 Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Intergovernmental Charges:				
0093	Payments to Fiscal Agent/Member Dist.-SSA	319,902	--	--	--
0099	Other Intergovernmental Charges	700,000	--	--	--
	Total Intergovernmental Charges	<u>1,019,902</u>	<u>--</u>	<u>--</u>	<u>--</u>
6030	Total Expenditures	<u>82,447,891</u>	<u>88,925,351</u>	<u>88,169,982</u>	<u>755,369</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(4,363,483)</u>	<u>(8,723,551)</u>	<u>(9,545,559)</u>	<u>(822,008)</u>
	Other Financing Sources (Uses):				
7915	Operating Transfers In	--	13,600	--	(13,600)
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>13,600</u>	<u>--</u>	<u>(13,600)</u>
1200	Net Change in Fund Balance	<u>(4,363,483)</u>	<u>(8,709,951)</u>	<u>(9,545,559)</u>	<u>(835,608)</u>
0100	Fund Balance - Beginning	32,332,000	32,332,000	32,332,000	--
3000	Fund Balance - Ending	<u>\$ 27,968,517</u>	<u>\$ 23,622,049</u>	<u>\$ 22,786,441</u>	<u>\$ (835,608)</u>

**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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
District's proportion of the net pension liability (asset)	0.4979623150%	0.0435167028%	0.0434719371%
District's proportionate share of the net pension liability (asset)	\$ 29,562,742	\$ 11,082,164	\$ 23,282,683
State's proportionate share of the net pension liability (asset) associated with the District	<u>42,094,935</u>	<u>20,191,201</u>	<u>42,241,592</u>
Total	<u>\$ 71,657,677</u>	<u>\$ 31,273,365</u>	<u>\$ 65,524,275</u>
District's covered-employee payroll	\$ 61,794,104	\$ 58,884,854	\$ 57,405,227
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	47.84%	18.82%	40.56%
Plan fiduciary net position as a percentage of the total pension liability	75.62%	88.79%	75.54%

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 nine 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."

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0408041663%	0.0405775796%	0.0398562110%	0.0397559%	0.0409687%	0.0263074%
\$ 21,211,281	\$ 22,334,885	\$ 12,743,869	\$ 15,023,180	\$ 14,481,890	\$ 7,027,070
<u>36,851,015</u>	<u>40,654,051</u>	<u>24,122,414</u>	<u>28,891,803</u>	<u>28,512,444</u>	<u>26,024,935</u>
<u>\$ 58,062,296</u>	<u>\$ 62,988,936</u>	<u>\$ 36,866,283</u>	<u>\$ 43,914,983</u>	<u>\$ 42,994,334</u>	<u>\$ 33,052,005</u>
\$ 51,349,869	\$ 50,277,113	\$ 48,259,514	\$ 47,407,377	\$ 46,514,382	\$ 45,682,704
41.31%	44.42%	26.41%	31.69%	31.13%	15.38%
75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 2,593,782	\$ 2,295,850	\$ 1,834,706
Contributions in relation to the contractually required contribution	(2,593,782)	(2,295,850)	(1,834,706)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 61,753,150	\$ 61,794,104	\$ 58,884,854
Contributions as a percentage of covered payroll	4.20%	3.72%	3.12%

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, 2021 - August 31, 2022.

Note: Only nine 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 requirement of this Statement."

EXHIBIT G-3

	2020	2019	2018	2017	2016	2015
\$	1,793,812	\$ 1,427,961	\$ 1,366,667	\$ 1,306,254	\$ 1,263,147	\$ 1,213,100
	(1,793,812)	(1,427,961)	(1,366,667)	(1,306,254)	(1,263,147)	(1,213,100)
\$	<u>    --    </u>					
\$	57,405,277	\$ 51,349,869	\$ 50,277,113	\$ 48,259,514	\$ 47,407,377	\$ 46,514,382
	3.12%	2.78%	2.72%	2.71%	2.66%	2.61%

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET OPEB LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 LAST TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>
District's proportion of the net OPEB liability (asset)	0.0697928292%	0.0657321016%	0.0656239669%
District's proportionate share of the net OPEB liability (asset)	\$ 16,711,119	\$ 25,355,809	\$ 24,946,633
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>20,385,037</u>	<u>33,971,133</u>	<u>33,522,295</u>
Total	<u>\$ 37,096,156</u>	<u>\$ 59,326,942</u>	<u>\$ 58,468,928</u>
District's covered payroll	\$ 61,794,104	\$ 58,884,854	\$ 57,405,227
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	27.04%	43.06%	43.46%
Plan fiduciary net position as a percentage of the total OPEB liability	11.52%	6.18%	4.99%

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 six years of data are presented in accordance with GASB #75, paragraph 245. "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."

EXHIBIT G-4

<u>2020</u>	<u>2019</u>	<u>2018</u>
0.0641530397%	0.0640025333%	0.0610377610%
\$ 30,338,758	\$ 31,957,051	\$ 26,543,032
<u>40,313,424</u>	<u>41,377,775</u>	<u>36,672,199</u>
\$ <u>70,652,182</u>	\$ <u>73,334,826</u>	\$ <u>63,215,231</u>
\$ 51,349,869	\$ 50,277,113	\$ 48,259,514
59.08%	63.56%	55.00%
2.66%	1.57%	0.91%

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS

TEACHER RETIREMENT SYSTEM OF TEXAS

LAST TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 611,896	\$ 570,545	\$ 507,632
Contributions in relation to the contractually required contribution	<u>(611,896)</u>	<u>(570,545)</u>	<u>(507,632)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 61,753,150	\$ 61,794,104	\$ 58,884,854
Contributions as a percentage of covered payroll	0.99%	0.92%	0.86%

Note: GASB 75, Paragraph 97 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, 2021 - August 31, 2022.

Note: Only six years of data are presented in accordance with GASB #75, paragraph 245. "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 the Statement."

EXHIBIT G-5

<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 498,786	\$ 455,417	\$ 441,421
<u>(498,786)</u>	<u>(455,417)</u>	<u>(441,421)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 57,405,277	\$ 51,349,869	\$ 50,277,113
0.87%	0.89%	0.88%

**LUFKIN INDEPENDENT SCHOOL DISTRICT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2023

Budget

The official budget was prepared for adoption for the general fund in accordance with accounting principles 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 increased at the 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.

There is not a legal requirement to adopt a budget for the ESSER III of the ARP Act fund; therefore, the District did not adopt a budget for that fund.

Defined Benefit Pension and OPEB Plans

Changes of benefit terms - Pension and OPEB Plans

There were no changes of benefit terms during the measurement period.

Changes of assumptions and other inputs - Pension Plan

The actuarial assumptions and methods have been modified since the determination of the prior year's net pension liabilities. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the discount rate from 7.25% to 7.00%.

Changes of assumptions and other inputs - OPEB Plan

The discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022.

## Combining Statements and Budget Comparisons as Supplementary Information

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

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2023

Data Control Codes	Special Revenue Funds	Debt Service Fund	Capital Projects Fund Construction Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ 2,378,670	\$ 1,486,812	\$ 5,442,184	\$ 9,307,666
1225	Taxes Receivable, Net	--	330,424	--	330,424
1240	Due from Other Governments	3,558,473	--	--	3,558,473
1260	Due from Other Funds	931,975	--	--	931,975
1290	Other Receivables	61,161	--	--	61,161
1300	Inventories	25,868	--	--	25,868
1000	Total Assets	<u>\$ 6,956,147</u>	<u>\$ 1,817,236</u>	<u>\$ 5,442,184</u>	<u>14,215,567</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ 468,970	\$ --	\$ 563,001	\$ 1,031,971
2160	Accrued Wages Payable	366,738	--	--	366,738
2170	Due to Other Funds	2,535,185	--	--	2,535,185
2180	Due to Other Governments	--	66,764	--	66,764
2200	Accrued Expenditures	--	--	977,311	977,311
2300	Unearned Revenue	11,189	--	--	11,189
2000	Total Liabilities	<u>3,382,082</u>	<u>66,764</u>	<u>1,540,312</u>	<u>4,989,158</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
	Unavailable Property Tax Revenue	--	330,424	--	330,424
2600	Total Deferred Inflows of Resources	<u>--</u>	<u>330,424</u>	<u>--</u>	<u>330,424</u>
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3410	Inventories	25,868	--	--	25,868
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	2,841,371	--	--	2,841,371
3470	Capital Acquisitions and Contractual Obligations	--	--	3,901,872	3,901,872
3480	Retirement of Long-Term Debt	--	1,420,048	--	1,420,048
3490	Other Restrictions of Fund Balance	706,826	--	--	706,826
3000	Total Fund Balances	<u>3,574,065</u>	<u>1,420,048</u>	<u>3,901,872</u>	<u>8,895,985</u>
4000	Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,956,147</u>	<u>\$ 1,817,236</u>	<u>\$ 5,442,184</u>	<u>\$ 14,215,567</u>

**LUFKIN INDEPENDENT SCHOOL DISTRICT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		Special Revenue Funds	Debt Service Fund	Capital Projects Fund Construction Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 958,075	\$ 7,049,835	\$ 455,294	\$ 8,463,204
5800	State Program Revenues	936,241	288,651	--	1,224,892
5900	Federal Program Revenues	16,458,219	--	--	16,458,219
5020	Total Revenues	<u>18,352,535</u>	<u>7,338,486</u>	<u>455,294</u>	<u>26,146,315</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	5,263,562	--	--	5,263,562
0012	Instructional Resources and Media Services	49,604	--	--	49,604
0013	Curriculum and Staff Development	2,097,484	--	--	2,097,484
0021	Instructional Leadership	1,179,312	--	--	1,179,312
0023	School Leadership	692,184	--	--	692,184
0031	Guidance, Counseling, and Evaluation Services	1,202,432	--	--	1,202,432
0032	Social Work Services	87,658	--	--	87,658
0033	Health Services	271,876	--	--	271,876
0035	Food Service	5,491,721	--	--	5,491,721
0036	Cocurricular/Extracurricular Activities	143,693	--	--	143,693
0041	General Administration	24,630	--	--	24,630
0051	Facilities Maintenance and Operations	1,014,731	--	--	1,014,731
0052	Security and Monitoring Services	30,615	--	--	30,615
0053	Data Processing Services	2,500	--	--	2,500
0061	Community Services	89,570	--	--	89,570
0071	Principal on Long-term Debt	11,818	3,945,000	--	3,956,818
0072	Interest on Long-term Debt	16	3,326,413	--	3,326,429
0073	Bond Issuance Costs and Fees	--	4,838	--	4,838
0081	Facilities Acquisition and Construction	(98,403)	--	9,889,885	9,791,482
6030	Total Expenditures	<u>17,555,003</u>	<u>7,276,251</u>	<u>9,889,885</u>	<u>34,721,139</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	797,532	62,235	(9,434,591)	(8,574,824)
1200	Net Change in Fund Balances	<u>797,532</u>	<u>62,235</u>	<u>(9,434,591)</u>	<u>(8,574,824)</u>
0100	Fund Balances - Beginning	2,776,533	1,357,813	13,336,463	17,470,809
3000	Fund Balances - Ending	<u>\$ 3,574,065</u>	<u>\$ 1,420,048</u>	<u>\$ 3,901,872</u>	<u>\$ 8,895,985</u>

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 AUGUST 31, 2023

Data Control Codes	211 Title I, Part A - Improving Basic Programs	224 IDEA - Part B, Formula	225 IDEA - Part B, Preschool	240 National School Breakfast/Lunch Program	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ --	\$ 2,330,020
1240	Due from Other Governments	302,847	290,513	1,486	515,659
1260	Due from Other Funds	--	--	--	127,370
1290	Other Receivables, Net	--	675	--	--
1300	Inventories	--	--	--	25,868
1000	Total Assets	<u>\$ 302,847</u>	<u>\$ 291,188</u>	<u>\$ 1,486</u>	<u>\$ 2,998,917</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ 16,227	\$ 16,626	\$ --	\$ 73,219
2160	Accrued Wages Payable	187,621	120,657	--	58,460
2170	Due to Other Funds	98,999	153,905	1,486	--
2300	Unearned Revenue	--	--	--	--
2000	Total Liabilities	<u>302,847</u>	<u>291,188</u>	<u>1,486</u>	<u>131,679</u>
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3410	Inventories	--	--	--	25,868
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	2,841,370
3490	Other Restrictions of Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,867,238</u>
4000	Total Liabilities and Fund Balances	<u>\$ 302,847</u>	<u>\$ 291,188</u>	<u>\$ 1,486</u>	<u>\$ 2,998,917</u>

242 Summer Food Service Program	255 Title II, Part A Training & Recruiting	263 English Lang. Acquisition & Enhancement	265 Title IV, Part B 21st Century Community LC	270 Title V, Part B Rural & Low Income
\$ 48,650	\$ --	\$ --	\$ --	\$ --
--	41,357	25,497	472,907	18,604
--	--	--	--	--
--	1,000	--	--	--
--	--	--	--	--
<u>\$ 48,650</u>	<u>\$ 42,357</u>	<u>\$ 25,497</u>	<u>\$ 472,907</u>	<u>\$ 18,604</u>
\$ --	\$ 1,705	\$ 1,454	\$ 12,261	\$ 1,024
--	--	--	--	--
48,649	40,652	24,043	460,646	17,580
--	--	--	--	--
<u>48,649</u>	<u>42,357</u>	<u>25,497</u>	<u>472,907</u>	<u>18,604</u>
--	--	--	--	--
1	--	--	--	--
--	--	--	--	--
<u>1</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 48,650</u>	<u>\$ 42,357</u>	<u>\$ 25,497</u>	<u>\$ 472,907</u>	<u>\$ 18,604</u>

# LUFKIN INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 AUGUST 31, 2023

Data Control Codes	274 GEAR UP	279 COVID TCLAS ESSER III Funds	281 ESSER II of the CRRSA Act	288 Student Support & Enrichment Program
<b>ASSETS:</b>				
1110 Cash and Cash Equivalents	\$ --	\$ --	\$ --	\$ --
1240 Due from Other Governments	378,740	28,420	1,099,827	38,508
1260 Due from Other Funds	--	--	--	--
1290 Other Receivables, Net	28,351	--	--	--
1300 Inventories	--	--	--	--
1000 Total Assets	<u>\$ 407,091</u>	<u>\$ 28,420</u>	<u>\$ 1,099,827</u>	<u>\$ 38,508</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 41,106	\$ --	\$ 13,025	\$ 20,300
2160 Accrued Wages Payable	--	--	--	--
2170 Due to Other Funds	365,985	28,420	1,086,802	18,208
2300 Unearned Revenue	--	--	--	--
2000 Total Liabilities	<u>407,091</u>	<u>28,420</u>	<u>1,099,827</u>	<u>38,508</u>
<b>FUND BALANCES:</b>				
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>	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 407,091</u>	<u>\$ 28,420</u>	<u>\$ 1,099,827</u>	<u>\$ 38,508</u>

289 Other Federal Special Revenue	315 SSA IDEA - Part B, Discretionary	410 State Textbook Fund	429 Other State Special Revenue	435 Regional Day School for the Deaf
\$ --	\$ --	\$ --	\$ --	\$ --
--	6,791	160,672	97,666	78,979
109,815	--	--	1,750	--
--	--	--	--	--
--	--	--	--	--
<u>\$ 109,815</u>	<u>\$ 6,791</u>	<u>\$ 160,672</u>	<u>\$ 99,416</u>	<u>\$ 78,979</u>
\$ 100,125	\$ 426	\$ 97,266	\$ 54,489	\$ 2,368
--	--	--	--	--
251	6,365	63,406	43,177	76,611
9,439	--	--	1,750	--
<u>109,815</u>	<u>6,791</u>	<u>160,672</u>	<u>99,416</u>	<u>78,979</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ 109,815</u>	<u>\$ 6,791</u>	<u>\$ 160,672</u>	<u>\$ 99,416</u>	<u>\$ 78,979</u>

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 AUGUST 31, 2023

Data Control Codes	461 Campus Activity Funds	499 Other Local Special Revenue	Total Nonmajor Special Revenue Funds (See Exhibit H-1)	
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ 2,378,670
1240	Due from Other Governments	--	--	3,558,473
1260	Due from Other Funds	212,350	480,690	931,975
1290	Other Receivables, Net	24,643	6,492	61,161
1300	Inventories	--	--	25,868
1000	Total Assets	<u>\$ 236,993</u>	<u>\$ 487,182</u>	<u>\$ 6,956,147</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ 7,316	\$ 10,033	\$ 468,970
2160	Accrued Wages Payable	--	--	366,738
2170	Due to Other Funds	--	--	2,535,185
2300	Unearned Revenue	--	--	11,189
2000	Total Liabilities	<u>7,316</u>	<u>10,033</u>	<u>3,382,082</u>
<b>FUND BALANCES:</b>				
Nonspendable Fund Balances:				
3410	Inventories	--	--	25,868
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	--	2,841,371
3490	Other Restrictions of Fund Balance	229,677	477,149	706,826
3000	Total Fund Balances	<u>229,677</u>	<u>477,149</u>	<u>3,574,065</u>
4000	Total Liabilities and Fund Balances	<u>\$ 236,993</u>	<u>\$ 487,182</u>	<u>\$ 6,956,147</u>

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**LUFKIN INDEPENDENT SCHOOL DISTRICT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	211 Title I, Part A - Improving Basic Programs	224 IDEA - Part B, Formula	225 IDEA - Part B, Preschool	226 IDEA - Part B, Discretionary
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800 State Program Revenues	--	--	--	--
5900 Federal Program Revenues	2,206,302	1,578,909	4,330	138,757
5020 Total Revenues	<u>2,206,302</u>	<u>1,578,909</u>	<u>4,330</u>	<u>138,757</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	899,824	1,529,899	4,330	138,757
0012 Instructional Resources and Media Services	--	--	--	--
0013 Curriculum and Staff Development	1,041,835	--	--	--
0021 Instructional Leadership	88,194	34,040	--	--
0023 School Leadership	--	169	--	--
0031 Guidance, Counseling, and Evaluation Services	72,213	6,220	--	--
0032 Social Work Services	87,658	--	--	--
0033 Health Services	--	--	--	--
0035 Food Service	--	--	--	--
0036 Cocurricular/Extracurricular Activities	--	106	--	--
0041 General Administration	--	--	--	--
0051 Facilities Maintenance and Operations	--	--	--	--
0052 Security and Monitoring Services	--	--	--	--
0053 Data Processing Services	--	--	--	--
0061 Community Services	16,578	--	--	--
0071 Principal on Long-term Debt	--	8,475	--	--
0072 Interest on Long-term Debt	--	--	--	--
0081 Facilities Acquisition and Construction	--	--	--	--
6030 Total Expenditures	<u>2,206,302</u>	<u>1,578,909</u>	<u>4,330</u>	<u>138,757</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--	--
1100 Expenditures	--	--	--	--
1200 Net Change in Fund Balances	--	--	--	--
0100 Fund Balances - Beginning	--	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

240 National School Breakfast/Lunch Program	242 Summer Food Service Program	244 Career & Technical - Basic Grant	255 Title II, Part A Training & Recruiting	263 English Lang. Acquisition & Enhancement
\$ 244,822	\$ --	\$ --	\$ --	\$ --
73,026	--	--	--	--
5,943,702	85,030	135,008	422,291	216,291
<u>6,261,550</u>	<u>85,030</u>	<u>135,008</u>	<u>422,291</u>	<u>216,291</u>
--	--	135,008	190,735	199,334
--	--	--	--	--
--	--	--	206,095	14,284
--	--	--	18,469	745
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
5,406,691	85,030	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	6,992	1,928
--	--	--	--	--
--	--	--	--	--
33,804	--	--	--	--
<u>5,440,495</u>	<u>85,030</u>	<u>135,008</u>	<u>422,291</u>	<u>216,291</u>
821,055	--	--	--	--
<u>821,055</u>	--	--	--	--
2,046,183	1	--	--	--
<u>\$ 2,867,238</u>	<u>\$ 1</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, 2023

Data Control Codes	265 Title IV, Part B 21st Century Community LC	270 Title V, Part B Rural & Low Income	274 GEAR UP	279 COVID TCLAS ESSER III Funds
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800 State Program Revenues	--	--	--	--
5900 Federal Program Revenues	1,482,088	161,382	894,242	112,049
5020 Total Revenues	<u>1,482,088</u>	<u>161,382</u>	<u>894,242</u>	<u>112,049</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	628,654	137,505	352,646	38,375
0012 Instructional Resources and Media Services	--	--	--	--
0013 Curriculum and Staff Development	--	--	44,880	--
0021 Instructional Leadership	202,479	23,877	474,030	73,674
0023 School Leadership	650,955	--	3,247	--
0031 Guidance, Counseling, and Evaluation Services	--	--	3,369	--
0032 Social Work Services	--	--	--	--
0033 Health Services	--	--	--	--
0035 Food Service	--	--	--	--
0036 Cocurricular/Extracurricular Activities	--	--	11,147	--
0041 General Administration	--	--	--	--
0051 Facilities Maintenance and Operations	--	--	--	--
0052 Security and Monitoring Services	--	--	--	--
0053 Data Processing Services	--	--	--	--
0061 Community Services	--	--	2,443	--
0071 Principal on Long-term Debt	--	--	2,480	--
0072 Interest on Long-term Debt	--	--	--	--
0081 Facilities Acquisition and Construction	--	--	--	--
6030 Total Expenditures	<u>1,482,088</u>	<u>161,382</u>	<u>894,242</u>	<u>112,049</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--	--
1100 Expenditures	--	--	--	--
1200 Net Change in Fund Balances	--	--	--	--
0100 Fund Balances - Beginning	--	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

281 ESSER II of the CRRSA Act	284 IDEA - Part B Formula of the ARP Act	288 Student Support & Enrichment Program	289 Other Federal Special Revenue	315 SSA IDEA - Part B, Discretionary
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
<u>2,922,660</u>	<u>(164,865)</u>	<u>215,828</u>	<u>50,028</u>	<u>54,187</u>
<u>2,922,660</u>	<u>(164,865)</u>	<u>215,828</u>	<u>50,028</u>	<u>54,187</u>
3,166	--	--	--	54,187
--	--	--	--	--
765,274	--	8,420	--	--
--	(59)	192,202	--	--
--	--	15,206	2,711	--
1,043,591	--	--	--	--
--	--	--	--	--
255,448	--	--	16,428	--
--	--	--	--	--
--	--	--	--	--
855,181	--	--	30,889	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	(164,806)	--	--	--
<u>2,922,660</u>	<u>(164,865)</u>	<u>215,828</u>	<u>50,028</u>	<u>54,187</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, 2023

Data Control Codes		410 State Textbook Fund	429 Other State Special Revenue
<b>REVENUES:</b>			
5700	Local and Intermediate Sources	\$ --	\$ --
5800	State Program Revenues	381,348	140,015
5900	Federal Program Revenues	--	--
5020	Total Revenues	<u>381,348</u>	<u>140,015</u>
<b>EXPENDITURES:</b>			
Current:			
0011	Instruction	381,348	4,200
0012	Instructional Resources and Media Services	--	--
0013	Curriculum and Staff Development	--	16,696
0021	Instructional Leadership	--	--
0023	School Leadership	--	--
0031	Guidance, Counseling, and Evaluation Services	--	--
0032	Social Work Services	--	--
0033	Health Services	--	--
0035	Food Service	--	--
0036	Cocurricular/Extracurricular Activities	--	--
0041	General Administration	--	--
0051	Facilities Maintenance and Operations	--	88,504
0052	Security and Monitoring Services	--	30,615
0053	Data Processing Services	--	--
0061	Community Services	--	--
0071	Principal on Long-term Debt	--	--
0072	Interest on Long-term Debt	--	--
0081	Facilities Acquisition and Construction	--	--
6030	Total Expenditures	<u>381,348</u>	<u>140,015</u>
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	--	--
1200	Net Change in Fund Balances	--	--
0100	Fund Balances - Beginning	--	--
3000	Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>

435 Regional Day School for the Deaf	461 Campus Activity Funds	499 Other Local Special Revenue	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ --	\$ 252,007	\$ 461,246	\$ 958,075
341,852	--	--	936,241
--	--	--	16,458,219
<u>341,852</u>	<u>252,007</u>	<u>461,246</u>	<u>18,352,535</u>
271,600	139,496	154,498	5,263,562
--	49,355	249	49,604
--	--	--	2,097,484
70,252	1,409	--	1,179,312
--	19,896	--	692,184
--	642	76,397	1,202,432
--	--	--	87,658
--	--	--	271,876
--	--	--	5,491,721
--	23,450	108,990	143,693
--	1,744	22,886	24,630
--	4,215	35,942	1,014,731
--	--	--	30,615
--	--	2,500	2,500
--	2,000	59,629	89,570
--	863	--	11,818
--	16	--	16
--	3,071	29,528	(98,403)
<u>341,852</u>	<u>246,157</u>	<u>490,619</u>	<u>17,555,003</u>
--	5,850	(29,373)	797,532
--	5,850	(29,373)	797,532
--	223,827	506,522	2,776,533
<u>\$ --</u>	<u>\$ 229,677</u>	<u>\$ 477,149</u>	<u>\$ 3,574,065</u>

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF NET POSITION

NONMAJOR ENTERPRISE FUNDS

AUGUST 31, 2023

Data Control Codes	Enterprise Fund	Enterprise Fund
<u>          </u>	<u>Panther Broadcasting</u>	<u>Panther Advertising</u>
<b>ASSETS:</b>		
Current Assets:		
Receivables:		
1260 Due from Other Funds	\$ 17,331	\$ 92,739
1290 Other Receivables, Net	6,199	--
Total Current Assets	<u>23,530</u>	<u>92,739</u>
1000 Total Assets	<u>23,530</u>	<u>92,739</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2110 Accounts Payable	3,574	204
Total Current Liabilities	<u>3,574</u>	<u>204</u>
2000 Total Liabilities	<u>3,574</u>	<u>204</u>
<b>NET POSITION:</b>		
3900 Unrestricted	19,956	92,535
3000 Total Net Position	<u>\$ 19,956</u>	<u>\$ 92,535</u>

Enterprise Fund Sports Facilities Rentals	Enterprise Fund LHS Gym Fundraising	Total Nonmajor Enterprise Funds (See Exhibit D-1)
\$ 44,457	\$ 1,000	\$ 155,527
<u>7,709</u>	<u>--</u>	<u>13,908</u>
<u>52,166</u>	<u>1,000</u>	<u>169,435</u>
<u>52,166</u>	<u>1,000</u>	<u>169,435</u>
<u>--</u>	<u>--</u>	<u>3,778</u>
<u>--</u>	<u>--</u>	<u>3,778</u>
<u>--</u>	<u>--</u>	<u>3,778</u>
<u>52,166</u>	<u>1,000</u>	<u>165,657</u>
<u>\$ 52,166</u>	<u>\$ 1,000</u>	<u>\$ 165,657</u>

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	Enterprise Fund	Enterprise Fund
<u>          </u>	<u>Panther Broadcasting</u>	<u>Panther Advertising</u>
<b>OPERATING REVENUES:</b>		
5700 Local and Intermediate Sources	\$ 84,000	\$ 110,000
5800 State Program Revenues	4,464	--
5020 Total Revenues	<u>88,464</u>	<u>110,000</u>
<b>OPERATING EXPENSES:</b>		
6100 Payroll Costs	60,597	--
6200 Professional and Contracted Services	11,575	55,883
6300 Supplies and Materials	--	1,615
6400 Other Operating Costs	998	--
6030 Total Expenses	<u>73,170</u>	<u>57,498</u>
1300 Change in Net Position	15,294	52,502
0100 Total Net Position - Beginning	4,662	40,033
3300 Total Net Position - Ending	<u>\$ 19,956</u>	<u>\$ 92,535</u>

Enterprise Fund Sports Facilities Rentals	Enterprise Fund LHS Gym Fundraising	Total Nonmajor Enterprise Funds (See Exhibit D-2)
\$ 152,016	\$ 26,920	\$ 372,936
3,567	--	8,031
<u>155,583</u>	<u>26,920</u>	<u>380,967</u>
68,302	--	128,899
43,790	--	111,248
93	8,277	9,985
14,518	17,663	33,179
<u>126,703</u>	<u>25,940</u>	<u>283,311</u>
28,880	980	97,656
23,286	20	68,001
<u>\$ 52,166</u>	<u>\$ 1,000</u>	<u>\$ 165,657</u>

# LUFKIN INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2023

	711 Panther Broadcasting	712 Panther Advertising	713 Sports Facilities Rentals
<b>Cash Flows from Operating Activities:</b>			
Cash Received from User Charges	\$ 82,601	\$ 123,500	\$ 145,740
Cash Payments to Employees	(56,133)	--	(64,735)
Cash Payments to Suppliers for Goods and Services	(26,468)	(123,500)	(81,005)
Net Cash Provided (Used) by Operating Activities	<u>--</u>	<u>--</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	--	--	--
Cash and Cash Equivalents at Beginning of Year	--	--	--
Cash and Cash Equivalents at End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income	\$ 15,294	\$ 52,502	\$ 28,880
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Change in Assets and Liabilities:			
(Increase) in Due from Other Funds	(12,848)	(64,606)	(22,589)
Decrease (Increase) in Other Receivables, Net	(1,399)	13,500	(6,276)
Increase (Decrease) in Accounts Payable	3,451	(1,396)	--
(Decrease) in Due to Other Funds	(4,498)	--	(15)
Total Adjustments	<u>(15,294)</u>	<u>(52,502)</u>	<u>(28,880)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**EXHIBIT H-7**

714 LHS Gym Fundraising	Total Nonmajor Enterprise Funds (See Exhibit D-3)
\$ 26,920	\$ 378,761
--	(120,868)
<u>(26,920)</u>	<u>(257,893)</u>
<u>--</u>	<u>--</u>
--	--
<u>--</u>	<u>--</u>
<u>\$ --</u>	<u>\$ --</u>
\$ 980	\$ 97,656
(980)	(101,023)
--	5,825
--	2,055
<u>(980)</u>	<u>(4,513)</u>
<u>(980)</u>	<u>(97,656)</u>
<u>\$ --</u>	<u>\$ --</u>

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## 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, 2023

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2014 and Prior Years	\$ Various	\$ Various	\$ Various
2015	1.04	.173	2,260,211,707
2016	1.17	.043	2,237,252,432
2017	1.17	.043	2,208,569,827
2018	1.17	.043	2,238,124,155
2019	1.17	.28	2,348,562,069
2020	1.0683	.25	2,512,784,040
2021	1.0381	.286	2,677,038,517
2022	.9913	.262	2,865,940,318
2023 (School Year Under Audit)	.9485	.215	3,248,870,614
1000 Totals			

10 Beginning Balance 9/1/22	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/23
\$ 450,539	\$ --	\$ 45,433	\$ 5,769	\$ (50,911)	\$ 348,426
85,106	--	7,253	1,206	(1,152)	75,495
104,918	--	10,703	393	(1,151)	92,671
120,901	--	16,039	587	(551)	103,724
145,206	--	25,198	925	(587)	118,496
220,552	--	43,806	10,382	(3,133)	163,231
255,736	--	43,707	10,202	(3,809)	198,018
348,471	--	47,464	13,037	(18,987)	268,983
790,489	--	59,090	15,503	(212,684)	503,212
--	37,510,397	29,504,607	6,685,130	(338,558)	982,102
<u>\$ 2,521,918</u>	<u>\$ 37,510,397</u>	<u>\$ 29,803,300</u>	<u>\$ 6,743,134</u>	<u>\$ (631,523)</u>	<u>\$ 2,854,358</u>

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

NATIONAL SCHOOL BREAKFAST & LUNCH PROGRAM  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2023

**EXHIBIT J-2**

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 153,325	\$ 244,822	\$ 91,497
5800 State Program Revenues	80,000	73,026	(6,974)
5900 Federal Program Revenues	4,876,384	5,943,702	1,067,318
5020 Total Revenues	<u>5,109,709</u>	<u>6,261,550</u>	<u>1,151,841</u>
<b>EXPENDITURES:</b>			
Current:			
Student Support Services:			
0035 Food Services	5,740,809	5,406,691	334,118
Total Student Support Services	<u>5,740,809</u>	<u>5,406,691</u>	<u>334,118</u>
Facilities Acquisition and Construction:			
0081 Facilities Acquisition and Construction	33,900	33,804	96
Total Facilities Acquisition and Construction	<u>33,900</u>	<u>33,804</u>	<u>96</u>
6030 Total Expenditures	<u>5,774,709</u>	<u>5,440,495</u>	<u>334,214</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(665,000)	821,055	1,486,055
1200 Net Change in Fund Balance	<u>(665,000)</u>	<u>821,055</u>	<u>1,486,055</u>
0100 Fund Balance - Beginning	2,046,183	2,046,183	--
3000 Fund Balance - Ending	<u>\$ 1,381,183</u>	<u>\$ 2,867,238</u>	<u>\$ 1,486,055</u>

**LUFKIN INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-3**

DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 7,008,268	\$ 7,049,835	\$ 41,567
5800 State Program Revenues	365,673	288,651	(77,022)
5020 Total Revenues	<u>7,373,941</u>	<u>7,338,486</u>	<u>(35,455)</u>
<b>EXPENDITURES:</b>			
Debt Service:			
0071 Debt Service	3,945,000	3,945,000	--
0072 Interest on Long-Term Debt	3,326,414	3,326,413	1
0073 Bond Issuance Costs and Fees	6,000	4,838	1,162
Total Debt Service	<u>7,277,414</u>	<u>7,276,251</u>	<u>1,163</u>
6030 Total Expenditures	<u>7,277,414</u>	<u>7,276,251</u>	<u>1,163</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>96,527</u>	<u>62,235</u>	<u>(34,292)</u>
1200 Net Change in Fund Balance	96,527	62,235	(34,292)
0100 Fund Balance - Beginning	1,357,813	1,357,813	--
3000 Fund Balance - Ending	<u>\$ 1,454,340</u>	<u>\$ 1,420,048</u>	<u>\$ (34,292)</u>

**LUFKIN INDEPENDENT SCHOOL DISTRICT**  
 USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM  
 AS OF AUGUST 31, 2023

Data Control Codes		Responses
<b><u>Section A: Compensatory Education Programs</u></b>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 9,838,243
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30, 34)	\$ 3,543,102
<b><u>Section B: Bilingual Education Programs</u></b>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 949,607
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 535,056

Richard A. Rudel, CPA  
Yvette Sidnell, CPA  
Jennifer L. Webster, CPA  
Susan L. Murrell, CPA  
Brenda A. Johnson



4000 S. Medford Drive  
Lufkin, Texas 75901

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Wilbur E. Alexander, CPA  
(1940-2009)  
Ted A. Lankford, CPA  
(Retired)  
Glenda J. Hiers, CPA  
(Retired)

**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, the business-type activities, each major fund, and the aggregate remaining fund information of Lufkin Independent School District as of and for the year ended August 31, 2023, 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 16, 2024.

**Report on 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) as a basis for designing 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 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 or significant deficiencies 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**

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lufkin Independent School District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 on 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 16, 2024

Richard A. Rudel, CPA  
Yvette Sidnell, CPA  
Jennifer L. Webster, CPA  
Susan L. Murrell, CPA  
Brenda A. Johnson



4000 S. Medford Drive  
Lufkin, Texas 75901

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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**

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

We have audited Lufkin Independent School District's compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

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, 2023.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lufkin Independent School District's compliance with the compliance requirements referred to above.

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

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Lufkin Independent School District’s federal programs.

***Auditor’s Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lufkin Independent School District’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District’s internal control. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**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**

*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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 16, 2024

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**LUFKIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2023**

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  No

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

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?  Yes  No

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

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

Version of compliance supplement used in audit: May 2023

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulation (CFR) Part 200, para. 200.516(a)?  Yes  No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.334	Gaining Early Awareness & Readiness for Undergraduate Programs
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$765,645

Auditee qualified as low-risk auditee?  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, 2023

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no prior audit findings related 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, 2023

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

**LUFKIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2023**

**EXHIBIT K-1**  
Page 1 of 2

(1)	(2)	(2A)	(3)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U. S. DEPARTMENT OF AGRICULTURE</b>				
Child Nutrition Cluster:				
Passed Through Texas Education Agency:				
School Breakfast Program	10.553	71402201	\$ --	\$ 157,653
School Breakfast Program	10.553	71402301	--	1,179,511
Total ALN Number 10.553			--	1,337,164
National School Lunch Program	10.555	71302201	--	473,580
National School Lunch Program	10.555	71302301	--	3,490,651
Passed Through Texas Department of Agriculture:				
National School Lunch Program	10.555	806780706	--	244,494
National School Lunch Program (Non-cash)	10.555	806780706	--	397,812
Total ALN Number 10.555			--	4,606,537
Summer Food Service Program	10.559	806780706	--	85,030
Total Child Nutrition Cluster			--	6,028,731
TOTAL U.S. DEPARTMENT OF AGRICULTURE			--	6,028,731
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed Through Texas Education Agency:				
Epidemiology & Laboratory Capacity for Infectious Diseases	93.323	39352201	--	55,166
<b>Medicaid Cluster</b>				
Passed Through Texas Health & Human Services Commission:				
Medicaid Administrative Claiming	93.778	HHS000537900187	--	17,492
Total Medicaid Cluster			--	17,492
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			--	72,658
<b>U. S. DEPARTMENT OF EDUCATION</b>				
Passed Through Texas Education Agency:				
ESEA, Title I, Part A - Improving Basic Programs	84.010	23610101003903	--	2,270,284
ESEA, Title I, Part A - Improving Basic Programs	84.010	23610103003903	--	36,276
Total ALN Number 84.010			--	2,306,560
Career and Technical Education - Basic Grant	84.048	23420006003903	--	140,554
<b>Special Education (IDEA) Cluster</b>				
Passed Through Texas Education Agency:				
IDEA - Part B, Formula	84.027A	66002306	--	33,109
IDEA - Part B, Formula	84.027A	66002312	--	105,648
IDEA - Part B, Formula	84.027A	236600010039036600	--	1,650,037
SSA IDEA - Part B, Discretionary	84.027A	236600110039036000	--	56,460
COVID-19 IDEA - Part B, Formula - ARP Act	84.027X	225350010039035350	--	(164,868)
Total ALN Number 84.027			--	1,680,386
IDEA - Part B, Preschool	84.173	236610010039036610	--	4,516
Total Special Education (IDEA) Cluster			--	1,684,902

**LUFKIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2023**

(1)	(2)	(2A)	(3)	
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Title IV, Part B - 21st Century Community Learning Centers	84.287	236950307110031	--	1,461,071
Title IV, Part B - 21st Century Community Learning Centers	84.287	246950307110031	--	83,336
Total ALN Number 84.287			--	<u>1,544,407</u>
<b>Direct Program:</b>				
Gaining Early Awareness & Readiness for Undergraduate Programs	84.334		--	703,768
<b>Passed Through University of Texas:</b>				
Gaining Early Awareness & Readiness for Undergraduate Programs	84.334	P334A220031	--	219,138
Total ALN Number 84.334			--	<u>922,906</u>
<b>Passed Through Texas Education Agency:</b>				
ESEA, Title V, Part B, Subpart 2 - Rural & Low Income School Grant Program	84.358	23696001003903	--	168,135
ESEA, Title III, Part A - English Language Acquisition & Language Enhancement	84.365	23671001003903	--	225,347
ESEA, Title II, Part A - Teacher & Principal Training & Recruitment	84.367	23694501003903	--	439,439
ESEA, Title II, Part A - Teacher & Principal Training & Recruitment	84.367	236945157110012	--	469
Total ALN Number 84.367			--	<u>439,908</u>
Improving Academic Achievement - Grants for State Assessments & Related Activities	84.369	69552002	--	2,711
ESEA, Title IV, Part A, Subpart 1 - Student Support & Academic Enrichment Program	84.424	23680101003903	--	224,888
COVID-19 Education Stabilization Fund	84.425D	21521001003903	--	3,242,430
COVID-19 Education Stabilization Fund	84.425U	21528001003903	--	8,393,041
COVID-19 Education Stabilization Fund	84.425U	21528042003903	--	124,332
Total ALN Number 84.425			--	<u>11,759,803</u>
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>			--	<u>19,420,121</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ --	<u>\$ 25,521,510</u>

The accompanying notes are an integral part of this schedule.

**LUFKIN INDEPENDENT SCHOOL DISTRICT**  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2023

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lufkin Independent School District (District) under programs of the federal government for the year ended August 31, 2023. The information in the Schedule is presented in accordance with the 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).

Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District. Therefore, some amounts may differ from amounts presented in, or used in the preparation of the financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included on the Schedule.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule 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 Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Reconciliation to Exhibit C-2

The reconciliation of the Schedule to federal program revenues reported in Exhibit C-2 is as follows:

Total federal awards per the Schedule	\$ 25,521,510
Other Federal Revenue:	
E-rate	228,707
School Health and Related Services (SHARS)	837,714
Federal Forest Receipts	<u>28,966</u>
Total federal program revenues per Exhibit C-2	<u>\$ 26,616,899</u>

**LUFKIN INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2023

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
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
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered <b>to not have made</b> timely payments.)  Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.  Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
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 post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ --