

LUFKIN INDEPENDENT SCHOOL DISTRICT
Lufkin, Texas

ANNUAL FINANCIAL REPORT

For The Year Ended August 31, 2020

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INTRODUCTORY SECTION

LUFKIN INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD
August 31, 2020

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, 2020, at a meeting of the Board of Trustees of such school district on the 21st day of January, 2021.

Signature of Board Secretary

Signature of Board President

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Lufkin Independent School District
Lufkin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Lufkin Independent School District ("the District"), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory and other supplementary information sections, which include the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis, and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Axley & Rode LLP
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
January 21, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Lufkin Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$12,678,079 as of August 31, 2020.
- During the year, the District's expenses were \$4,455,344 less than the \$108,992,328 generated in taxes and other revenues for governmental activities. The total cost of the District's programs was \$104,460,584.
- As of the close of the current fiscal year, the District's general fund reported a fund balance of \$28,698,239, an increase of \$5,448,789 in comparison with the prior year.
- The District's total debt increased by \$20,407,520 (21 percent) during the fiscal year. The key factor in this increase was the issuance of new debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

The District has two kinds of funds:

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was \$12,678,079 and \$19,686 as of August 31, 2020 for governmental activity and business type activity, respectfully. The following table provides a summary of the District's net position.

The District's Net Position				
	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 94 681 835	\$ 72 689 825	\$ 35 700	\$ 10 302
Capital and non-current assets	<u>81 711 942</u>	<u>72 936 699</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	176 393 777	145 626 524	35 700	10 302
Deferred outflows	<u>17 607 707</u>	<u>18 439 098</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	194 001 484	164 065 622	35 700	10 302
Other liabilities	12 596 045	10 954 710	16 014	20 582
Long term liabilities	<u>151 083 185</u>	<u>132 397 810</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	163 679 230	143 352 520	16 014	20 582
Deferred inflows	<u>17 644 175</u>	<u>12 490 367</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	181 323 405	155 842 887	16 014	20 582
Net Position:				
Investment in capital assets	39 821 081	34 891 900	-	-
Restricted	57 267 138	41 631 016	-	-
Unrestricted	<u>(84 410 140)</u>	<u>(68 300 181)</u>	<u>19 686</u>	<u>(10 280)</u>
TOTAL NET POSITION	\$ 12 678 079	\$ 8 222 735	\$ 19 686	\$ (10 280)

The restricted net position reflects balances of \$2,719,168, \$228,901, and \$54,319,069 for grant programs, debt service, and capital projects, respectively. The \$(68,300,181) of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in Net Position. The District's total revenues were \$108,915,928. A significant portion, 31 percent, of the District's revenue comes from taxes. 47 percent comes from state aid, while only 0.49 percent relates to charges for services.

The total cost of all programs and services was \$104,460,584, and 53 percent of these costs are for instruction, instructional resources and media services.

ACTIVITIES

The \$13,837,332 net increase in revenues is primarily due to an increase in state aid of \$9,478,775, and an increase in operating grants and state aid of \$5,775,438.

	GOVERNMENTAL ACTIVITIES		BUSINESS TYPE ACTIVITIES	
	2020	2019	2020	2019
Revenues:				
Program Revenues:				
Charges for services	\$ 529 126	\$ 772 382	\$ 76 400	\$ 99 475
Operating grants and contributions	21 711 940	15 936 502	-	-
General Revenues:				
Property taxes	33 256 916	33 594 301	-	-
State aid	51 011 562	41 532 787	-	-
Investment earnings	1 029 998	1 799 342	-	-
Miscellaneous revenues	1 376 386	1 443 282	-	-
TOTAL REVENUES	<u>108 915 928</u>	<u>95 078 596</u>	<u>76 400</u>	<u>99 475</u>
Expenses:				
Instruction, instructional resources and media services	55 379 840	49 797 994	-	-
Curriculum and staff development	3 360 963	2 755 453	-	-
Instructional leadership	2 374 911	2 241 355	-	-
School leadership	6 247 306	5 308 962	-	-
Guidance, counseling and evaluation	3 691 434	3 103 880	-	-
Social work services	145 867	137 399	-	-
Health services	850 907	821 643	-	-
Student transportation	3 053 392	3 351 069	-	-
Food service	5 301 491	5 441 824	-	-
Cocurricular/extracurricular activities	2 100 336	2 395 861	-	-
General administration	2 877 952	2 642 322	61 417	94 772
Facilities maintenance and operations	10 183 773	9 383 562	-	-
Security and monitoring services	1 629 002	1 093 072	-	-
Data processing services	3 312 729	1 818 927	-	-
Community services	59 656	56 587	-	-
Debt service	2 601 065	2 774 826	-	-
Issuance cost and fees	396 754	-	-	-
Capital outlay	-	5 269	-	-
Payments to shared service arrangements	300 715	272 218	-	-
Other intergovernmental charges	592 491	532 954	-	-
TOTAL EXPENSES	<u>104 460 584</u>	<u>93 935 177</u>	<u>61 417</u>	<u>94 772</u>
CHANGE IN NET POSITION	\$ <u>4 455 344</u>	\$ <u>1 143 419</u>	\$ <u>14 983</u>	\$ <u>4 703</u>

The increase of \$10,525,407 in expenses from the prior year is primarily due to the increase caused by the net adjustments for the Other Post Employee Benefit (OPEB) liability and deferral amounts in the current year.

The cost of all governmental activities this year was \$104,460,584. However, the amount that our taxpayers paid for these activities through property taxes was only \$33,256,916. Those who directly benefitted from the programs paid \$605,526 and grants and contributions paid \$21,711,940.

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

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

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$85,330,428. Less than one percent of the total or \$656,738 is considered nonspendable because it is not in spendable form. Sixty-six percent or \$55,932,375 of this total is restricted due to external limitations on its use. These uses include federal and state programs of \$1,384,405, capital acquisitions of \$54,319,069, and retirement of debt of \$228,901. The remaining thirty percent or \$22,283,290 is unassigned.

The District's governmental funds total fund balance increased by \$20,480,456 from the preceding year. This increase is primarily due to increased in state funding.

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 \$22,283,290, while total fund balance was \$28,698,239. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents thirty-nine percent of total general fund expenditures, while total fund balance represents thirty-three percent of that same amount.

Revenues from governmental fund types totaled \$98,874,073, an increase of \$9,528,366 over the preceding year.

Proprietary Funds. The advertising fund was created to account for advertising activity for the district. During the year, revenues totaled \$76,400 and expenses totaled \$61,417. The print shop internal service fund was created to account for printing services of the district. Charges for services were \$58,242 for the current year with \$76,400 in operating expenses.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget when needed. Differences between the original and final amended budgets were significant for revenues and expenditures (\$754,263 increase in projected revenues and \$4,256,339 in projected expenditures). The increase in projected revenues was primarily due to increases in state revenues of \$719,020. The increase in projected expenditures was primarily the result of increases in instruction of \$2,570,559 and plant maintenance of \$863,675.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the District had invested approximately \$81,711,942, in a broad range of capital assets, including land, buildings, vehicles, and equipment. This amount represents a net increase (including additions and deductions) of \$8,775,244 or one percent over last year.

District's Capital Assets
(Net of depreciation)

	2020	2019
Land	\$ 2 324 278	\$ 2 324 278
Buildings and improvements	123 658 312	123 282 873
Furniture and equipment	15 217 004	15 591 516
Construction in progress	12 817 772	1 907 501
TOTALS AT HISTORICAL COST	154 017 366	143 106 168
Less accumulated depreciation	(72 305 424)	(70 169 469)
NET CAPITAL ASSETS	\$ 81 711 942	\$ 72 936 699

Long-term Debt

At year end, the District had \$97,988,173 of bonds and capital leases outstanding as shown below. More detailed information about the District's debt is presented in the notes to the financial statements.

District's Long-term Debt

	2020	2019
Leases payable	\$ 1 433 173	\$ 1 635 655
Bonds payable	96 555 000	75 944 999
TOTAL BONDS AND NOTES	\$ 97 988 173	\$ 77 580 654

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised values used for the 2021 budget preparation is up 6.68% from 2019.
- General operating fund spending per student decreased in the 2021 budget from \$11,304 to \$9,952. This is a decrease of 11% from 2020.
- The District's 2021 refined average daily attendance is expected to decrease from 2020. We are attributing this to the pandemic. The student population has shown a decline trend for the past few years.

These indicators were taken into account when adopting the general fund budget for 2021. Amounts available for appropriation in the General Fund budget are \$78,256,520, a decrease of 3% percent over the final 2020 budget of \$80,784,579.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

LUFKIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
August 31, 2020

EXHIBIT A-1

DATA CONTROL CODES		1	2	3
		GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
	ASSETS			
1110	Cash and cash equivalents	\$ 86 960 045	\$ 35 700	\$ 86 995 745
1225	Property taxes receivable	1 794 157	-	1 794 157
1240	Due from other governments	5 262 487	-	5 262 487
1290	Other receivables	8 408	-	8 408
1300	Inventory	30 364	-	30 364
1410	Prepaid items	626 374	-	626 374
	Capital Assets:			
1510	Land	2 324 278	-	2 324 278
1520	Buildings and improvements, net	62 257 710	-	62 257 710
1530	Furniture and equipment, net	4 312 182	-	4 312 182
1580	Construction in progress	12 817 772	-	12 817 772
1000	TOTAL ASSETS	<u>176 393 777</u>	<u>35 700</u>	<u>176 429 477</u>
	Deferred Outflows:			
	Deferred charge on refunding	1 250 291	-	1 250 291
	Deferred outflows related to pensions	11 175 290	-	11 175 290
	Deferred outflows related to OPEB	5 182 126	-	5 182 126
1700	TOTAL DEFERRED OUTFLOWS	<u>17 607 707</u>	<u>-</u>	<u>17 607 707</u>
	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>194 001 484</u>	<u>35 700</u>	<u>194 037 184</u>
	LIABILITIES			
2110	Accounts payable	3 002 068	16 014	3 018 082
2140	Interest payable	145 384	-	145 384
2160	Accrued wages payable	3 688 500	-	3 688 500
2180	Due to other governments	888 467	-	888 467
2501	Due within one year	4 871 626	-	4 871 626
	Noncurrent Liabilities:			
2502	Due in more than one year	93 116 548	-	93 116 548
2516	Premium on issuance of bonds	6 416 598	-	6 416 598
2540	Net pension liability	21 211 281	-	21 211 281
2545	Net OPEB liability	30 338 758	-	30 338 758
2000	TOTAL LIABILITIES	<u>163 679 230</u>	<u>16 014</u>	<u>163 695 244</u>
	Deferred Inflows:			
	Deferred inflows related to pensions	4 518 514	-	4 518 514
	Deferred inflows related to OPEB	13 125 661	-	13 125 661
2600	TOTAL DEFERRED INFLOWS	<u>17 644 175</u>	<u>-</u>	<u>17 644 175</u>
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>181 323 405</u>	<u>16 014</u>	<u>181 339 419</u>
	NET POSITION			
3200	Net investment in capital assets	39 821 081	-	39 821 081
	Restricted for:			
3820	Federal and state programs	2 719 168	-	2 719 168
3850	Debt service	228 901	-	228 901
3860	Capital projects	54 319 069	-	54 319 069
3900	Unrestricted	(84 410 140)	19 686	(84 390 454)
3000	TOTAL NET POSITION	<u>\$ 12 678 079</u>	<u>\$ 19 686</u>	<u>\$ 12 697 765</u>

The accompanying notes are an integral part of this statement.

LUFKIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2020

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	1 EXPENSES	3 PROGRAM REVENUES	
			CHARGES FOR SERVICES	4 OPERATING GRANTS AND CONTRIBUTIONS
	Governmental Activities:			
11	Instruction	\$ 53 849 337	\$ 117 140	\$ 9 929 485
12	Instruction resources and media services	1 530 503	-	530 727
13	Curriculum and staff development	3 360 963	-	1 433 927
21	Instructional leadership	2 374 911	-	729 810
23	School leadership	6 247 306	-	1 532 292
31	Guidance, counseling, and evaluation services	3 691 434	-	699 586
32	Social work services	145 867	-	72 894
33	Health services	850 907	-	-
34	Student transportation	3 053 392	-	284 439
35	Food services	5 301 491	234 767	4 399 726
36	Co-curricular/extracurricular activities	2 100 336	177 219	126 500
41	General administration	2 877 952	-	280 737
51	Plant maintenance and operations	10 183 773	-	1 336 977
52	Security and monitoring services	1 629 002	-	165 985
53	Data processing services	3 312 729	-	180 692
61	Community services	59 656	-	13 506
72	Interest on long-term debt	2 601 065	-	-
73	Bond issue costs and fees	396 754	-	-
93	Payments related to shared services arrangements	300 715	-	-
99	Other government charges	592 491	-	-
TG	TOTAL GOVERNMENTAL ACTIVITIES	<u>104 460 584</u>	<u>529 126</u>	<u>21 717 283</u>
	Business-Type Activities:			
	Operating expense	61 417	76 400	-
	TOTAL BUSINESS-TYPE ACTIVITIES	<u>61 417</u>	<u>76 400</u>	<u>-</u>
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 104 522 001</u>	<u>\$ 605 526</u>	<u>\$ 21 717 283</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
FR	Transfers
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.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	7	8
<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS ACTIVITIES</u>	<u>TOTALS</u>
\$ (43 802 712)	\$ -	\$ (43 802 712)
(999 776)	-	(999 776)
(1 927 036)	-	(1 927 036)
(1 645 101)	-	(1 645 101)
(4 715 014)	-	(4 715 014)
(2 991 848)	-	(2 991 848)
(72 973)	-	(72 973)
(850 907)	-	(850 907)
(2 768 953)	-	(2 768 953)
(666 998)	-	(666 998)
(1 796 617)	-	(1 796 617)
(2 597 215)	-	(2 597 215)
(8 846 796)	-	(8 846 796)
(1 463 017)	-	(1 463 017)
(3 132 037)	-	(3 132 037)
(46 150)	-	(46 150)
(2 601 065)	-	(2 601 065)
(396 754)	-	(396 754)
(300 715)	-	(300 715)
(592 491)	-	(592 491)
<u>(82 214 175)</u>	<u>-</u>	<u>(82 214 175)</u>
-	14 983	14 983
-	14 983	14 983
<u>(82 214 175)</u>	<u>14 983</u>	<u>(82 199 192)</u>
27 014 691	-	27 014 691
6 242 225	-	6 242 225
1 029 998	-	1 029 998
51 006 219	-	51 006 219
1 391 369	-	1 391 369
(14 983)	14 983	-
<u>86 669 519</u>	<u>14 983</u>	<u>86 684 502</u>
4 455 344	29 966	4 485 310
8 222 735	(10 280)	8 212 455
\$ <u>12 678 079</u>	\$ <u>19 686</u>	\$ <u>12 697 765</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2020

EXHIBIT C-1

DATA CONTROL CODES		10	60	OTHER GOVERN- MENTAL FUNDS	98 TOTAL GOVERN- MENTAL FUNDS
		GENERAL FUND	CAPITAL PROJECT FUND		
ASSETS					
1110	Cash and cash equivalents	\$ 28 579 986	\$ 56 097 313	\$ 2 282 746	\$ 86 960 045
1225	Taxes receivable, net	1 564 155	-	230 002	1 794 157
1240	Due from other governments	1 771 720	-	3 490 767	5 262 487
1260	Due from other funds	4 932 776	2 500	85 028	5 020 304
1290	Other receivables	299	-	8 109	8 408
1300	Inventory	8 575	-	21 789	30 364
1410	Deferred expenditures	626 374	-	-	626 374
1000	TOTAL ASSETS	<u>\$ 37 483 885</u>	<u>\$ 56 099 813</u>	<u>\$ 6 118 441</u>	<u>\$ 99 702 139</u>
LIABILITIES					
Current Liabilities:					
2110	Accounts payable	\$ 956 107	\$ 1 780 744	\$ 263 360	\$ 3 000 211
2160	Accrued wages payable	3 370 606	-	317 894	3 688 500
2170	Due to other funds	2 006 311	-	2 994 065	5 000 376
2180	Due to other governments	888 467	-	-	888 467
2000	TOTAL LIABILITIES	<u>7 221 491</u>	<u>1 780 744</u>	<u>3 575 319</u>	<u>12 577 554</u>
Deferred Inflows:					
2600	Unavailable revenue	1 564 155	-	230 002	1 794 157
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>8 785 646</u>	<u>1 780 744</u>	<u>3 805 321</u>	<u>14 371 711</u>
Fund Balances:					
Nonspendable Fund Balance:					
3410	Inventories	8 575	-	21 789	30 364
3430	Prepaid items	626 374	-	-	626 374
Restricted Fund Balances:					
3450	Food service	-	-	1 383 912	1 383 912
3480	Debt service	-	-	228 901	228 901
3470	Capital acquisitions	-	54 319 069	-	54 319 069
3490	Other	-	-	678 518	678 518
3570	Assigned - Capital construction	2 800 000	-	-	2 800 000
3570	Assigned - Capital turf	300 000	-	-	300 000
3570	Assigned - Capital reading academics	980 000	-	-	980 000
3570	Assigned - LMS furniture	1 700 000	-	-	1 700 000
3600	Unassigned	22 283 290	-	-	22 283 290
3000	TOTAL FUND BALANCES	<u>28 698 239</u>	<u>54 319 069</u>	<u>2 313 120</u>	<u>85 330 428</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 37 483 885</u>	<u>\$ 56 099 813</u>	<u>\$ 6 118 441</u>	<u>\$ 99 702 139</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, 2020

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET	\$ 85 330 428
Amounts Reported for Governmental Activities in the Statement of Net Position (SNP) are Different Because:	
Capital assets used in governmental activities are not reported in the funds.	81 711 942
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1 794 157
Payables for long term debt, including premium, which are not due in the current period are not reported in the funds.	(104 404 772)
Payables for long term debt interest which are not due in the current period are not reported in the funds.	(145 384)
The deferred charge on refunding is not reported in the funds.	1 250 291
District's proportionate share of the collective net pension liability is not reported in the funds.	(21 211 281)
District's proportionate share of the collective OPEB liability is not reported in the funds.	(30 338 758)
District's proportionate share of the collective deferred inflows/outflows of resources related to pension and OPEB plans is not reported in the funds.	(1 286 759)
Internal service fund activity	<u>(21 785)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	<u>\$ 12 678 079</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, 2020

EXHIBIT C-2

DATA CONTROL CODES		10 GENERAL FUND	60 CAPITAL PROJECT FUND	OTHER GOVERN- MENTAL FUNDS	98 TOTAL GOVERN- MENTAL FUNDS
Revenues:					
5700	Local and intermediate sources	\$ 27 937 135	\$ 594 502	\$ 7 576 879	\$ 36 108 516
5800	State program revenues	49 148 290	-	1 273 496	50 421 786
5900	Federal program revenues	1 345 318	-	10 998 453	12 343 771
5020	TOTAL REVENUES	<u>78 430 743</u>	<u>594 502</u>	<u>19 848 828</u>	<u>98 874 073</u>
Expenditures:					
Current:					
0011	Instruction	40 540 517	-	4 632 291	45 172 808
0012	Instructional resources and media services	739 154	-	30 289	769 443
0013	Curriculum and staff development	1 912 115	-	1 448 848	3 360 963
0021	Instructional leadership	1 502 983	-	483 847	1 986 830
0023	School leadership	4 389 603	-	842 937	5 232 540
0031	Guidance, counseling and evaluation services	2 771 230	-	174 680	2 945 910
0032	Social work	72 973	-	72 894	145 867
0033	Health services	850 907	-	-	850 907
0034	Student transportation	2 862 300	-	-	2 862 300
0035	Food services	84 768	-	4 462 358	4 547 126
0036	Co-curricular/extracurricular activities	1 587 163	-	138 411	1 725 574
0041	General administration	2 354 022	-	30 565	2 384 587
0051	Plant maintenance and operations	7 926 485	-	740 771	8 667 256
0052	Security and monitoring services	1 414 967	-	-	1 414 967
0053	Data processing services	2 692 869	-	76 586	2 769 455
0061	Community services	27 083	-	21 924	49 007
0071	Debt service	1 173 703	-	7 271 333	8 445 036
0081	Facilities acquisition and construction	101 410	11 137 503	52 815	11 291 728
0093	Payments to shared service arrangements	300 715	-	-	300 715
0099	Other governmental charges	592 491	-	-	592 491
6030	TOTAL EXPENDITURES	<u>73 897 458</u>	<u>11 137 503</u>	<u>20 480 549</u>	<u>105 515 510</u>
1100	EXCESS REVENUE OVER EXPENDITURES	<u>4 533 285</u>	<u>(10 543 001)</u>	<u>(631 721)</u>	<u>(6 641 437)</u>
Other Financing Sources (Uses):					
7911	Bonds proceeds	-	24 435 000	-	24 435 000
7913	Issuance of capital leases	930 487	-	-	930 487
7916	Premium on bond issue	-	1 065 000	706 389	1 771 389
8911	Transfers out	(14 983)	-	-	(14 983)
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>915 504</u>	<u>25 500 000</u>	<u>706 389</u>	<u>27 121 893</u>
1200	NET CHANGE IN FUND BALANCES	5 448 789	14 956 999	74 668	20 480 456
0100	Fund balance - Beginning	<u>23 249 450</u>	<u>39 362 070</u>	<u>2 238 452</u>	<u>64 849 972</u>
3000	FUND BALANCE - ENDING	<u>\$ 28 698 239</u>	<u>\$ 54 319 069</u>	<u>\$ 2 313 120</u>	<u>\$ 85 330 428</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, 2020

EXHIBIT C-3

Net change in fund balances - Total governmental funds	\$ 20 480 456
Amounts Reported for Governmental Activities in the Statement of Activities ("SOA") are Different Because:	
Capital outlays are not reported as expenses in the SOA.	12 268 664
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3 472 736)
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.	40 651
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	(21 853 578)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	1 132 968
Amount represents the (increase) decrease in accrued interest from beginning of period to end of period.	(28 348)
Proceeds of leases do not provide revenue in the SOA, but are reported as an other financing source in the funds.	(930 487)
Pension activity, including deferrals and net pension liability, are not due and payable in the current period and, therefore, are not recorded in the funds.	(2 622 791)
OPEB activity, including deferrals and net OPEB liability, are not due and payable in the current period and, therefore, are not recorded in the funds.	(534 934)
Internal service fund activity	(3 836)
Internal service fund capital asset depreciation	<u>(20 685)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	<u>\$ 4 455 344</u>

The accompanying notes are an integral part of this statement.

LUFKIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
August 31, 2020

EXHIBIT D-1

	BUSINESS- TYPE ACTIVITIES ADVERTISING FUND	INTERNAL SERVICE FUNDS PRINT SHOP
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 35 700	\$ -
TOTAL CURRENT ASSETS	35 700	-
Noncurrent Assets:		
Capital Assets:		
Equipment	-	371 622
Less accumulated depreciation	-	(307 111)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	-	64 511
TOTAL NONCURRENT ASSETS	-	64 511
TOTAL ASSETS	35 700	64 511
LIABILITIES		
Current Liabilities:		
Accounts payable	16 014	1 857
Due to other funds	-	19 928
TOTAL LIABILITIES	16 014	21 785
NET POSITION		
Net investment in capital assets	-	64 511
Unrestricted	19 686	(21 785)
TOTAL NET POSITION	\$ 19 686	\$ 42 726

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended August 31, 2020

EXHIBIT D-2

	BUSINESS- TYPE ACTIVITIES ADVERTISING FUND	INTERNAL SERVICE FUNDS PRINT SHOP
Operating Revenues:		
Local and intermediate	\$ 76 400	\$ 58 242
TOTAL OPERATING REVENUES	76 400	58 242
Operating Expenses:		
Payroll costs	46 717	10 792
Professional contracted service	-	12 832
Supplies and material	-	32 091
Miscellaneous operating costs	14 700	20 685
TOTAL OPERATING EXPENSES	61 417	76 400
OPERATING INCOME	14 983	(18 158)
Operating transfers in (out)	14 983	-
TOTAL NET OPERATING TRANSFERS	14 983	-
CHANGE IN NET POSITION	29 966	(18 158)
Beginning net position	(10 280)	60 884
NET POSITION, END OF YEAR	\$ 19 686	\$ 42 726

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended August 31, 2020

EXHIBIT D-3

	BUSINESS- TYPE ACTIVITIES ADVERTISING FUND	INTERNAL SERVICE FUNDS PRINT SHOP
Cash Flows from Operating Activities:		
Received from user charges	\$ 76 400	\$ 58 242
Payments to suppliers	(46 717)	(10 792)
Payments to employees	(4 285)	(43 066)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	25 398	4 384
Cash Flows from Noncapital Financing Activities:		
Transfer of capital assets	-	(6 363)
Advances from other funds	-	1 979
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	(4 384)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25 398	-
Cash at beginning of year	10 302	-
CASH AT END OF YEAR	\$ 35 700	\$ -
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 14 983	\$ (18 158)
Adjustments:		
Depreciation	-	20 685
Changes in:		
Accounts payable	10 415	1 857
NET CASH PROVIDED (USED BY) OPERATING ACTIVITIES	\$ 25 398	\$ 4 384

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
August 31, 2020

EXHIBIT E-1

<u>DATA CONTROL CODES</u>		<u>AGENCY FUNDS</u>
	ASSETS	
1110	Cash and cash equivalents	\$ <u>325 969</u>
1000	TOTAL ASSETS	<u>325 969</u>
	LIABILITIES	
	Current Liabilities:	
2190	Due to student groups	<u>325 969</u>
2000	TOTAL LIABILITIES	<u>325 969</u>
3000	TOTAL NET POSITION	\$ <u>-</u>

The accompanying notes are an integral part of this statement.

LUFKIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2. The Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

Basis of Presentation:

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

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

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

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

The District reports the following major governmental funds:

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

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

In addition, the District reports the following fund types:

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

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Proprietary Fund Types:

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

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

Measurement Focus, Basis of Accounting:

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

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

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

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

2. Financial Statement Amounts

Property Taxes:

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Allowances of uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. At August 31, 2020, the allowance for uncollectible property taxes was \$751,502.

Inventories and Prepaid Items:

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

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

Capital Assets:

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

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

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

Deferred Outflows/Inflows of Resources:

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

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

For the year ended August 31, 2020, the District has items that qualify for reporting as deferred outflows of resources and deferred inflows of resources. The District reported on the government-wide statement of net position a deferred charge on refunding related to refunding bonds. A deferred charge on refunding relates from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports the deferred outflows and inflows related to the TRS net pension and OPEB liability on the government-wide statement of net position. TRS outflows and inflows are detailed in Note I. On the governmental funds balance sheet, the unavailable property tax revenue is reported as a deferred inflow of resources. This revenue is recognized in the period in which the revenue becomes available.

Receivable and Payable Balances:

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

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

Interfund Activity:

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Use of Estimates:

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

Data Control Codes:

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

Fund Balances - Governmental Funds:

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

Net Position Flow Assumption:

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

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 - CONTINUED
 August 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Pensions:

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

5. Other Post-Employment Benefits:

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

NOTE B - COMPLIANCE AND ACCOUNTABILITY

2. Finance-Related Legal and Contractual Provisions

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

VIOLATION	ACTION TAKEN
None	None

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

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

FUND NAME	DEFICIT AMOUNT	REMARKS
None	None	N/A

3. For the fiscal year ended August 31, 2020, expenditures exceeded appropriations in the functions (the legal level of budgetary control) for the following:

FUND	FUNCTION	FINAL BUDGET	ACTUAL	VARIANCE
General Fund	13 Curriculum and staff dev.	\$ 1 897 097	\$ 1 912 115	\$ (15 018)
General Fund	35 Food services	-	84 768	(84 768)
General Fund	53 Data processing services	1 955 107	2 692 869	(742 762)

NOTE C - DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At August 31, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$58,732,828. The District's cash deposits at August 31, 2020 were entirely covered by FDIC insurance or by pledged collateral held by the pledging institution's agent bank in the District's name.

LUFKIN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2020

NOTE C - DEPOSITS AND INVESTMENTS - CONTINUED

2. Investments:

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

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

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

The District's investments at August 31, 2020 are shown below.

INVESTMENT OR INVESTMENT TYPE	MATURITY	AMOUNT
Cash Equivalents - Money Market		
Mutual Funds		\$ 12 299 428
TexPool	30 days	75 022 286
TOTAL INVESTMENTS		\$ 87 321 714

3. Analysis of Specific Deposit and Investment Risks:

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

Credit Risk:

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

The District's investment policy does not limit its investment in public funds investment pools based on credit ratings. At August 31, 2020, the District's investment in TexPool was rated AAAm as to credit quality by Standard & Poor's.

Custodial Credit Risk:

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

Interest Rate Risk:

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

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

Investment Accounting Policy:

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2020

NOTE C - DEPOSITS AND INVESTMENTS - CONTINUED

Public Funds Investment Pools:

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

TexPool:

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

NOTE D - CAPITAL ASSETS

Capital asset activity for the period ended August 31, 2020, was as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCES	INCREASES	DECREASES	TRANSFERS	ENDING BALANCES
Capital Assets Not Being Depreciated:					
Land	\$ 2 324 278	\$ -	\$ -	\$ -	\$ 2 324 278
Construction in progress	1 907 501	11 169 005	-	(258 734)	12 817 772
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	4 231 779	11 169 005	-	(258 734)	15 142 050
Capital Assets Being Depreciated:					
Buildings and improvements	123 282 872	116 706	-	258 734	123 658 312
Furniture and equipment	15 226 259	986 489	(1 361 001)	(6 365)	14 845 382
TOTAL CAPITAL ASSETS BEING DEPRECIATED	138 509 131	1 103 195	(1 361 001)	252 369	138 503 694
Less Accumulated Depreciation for:					
Buildings and improvements	(58 818 757)	(2 581 845)	-	-	(61 400 602)
Furniture and equipment	(11 064 288)	(890 889)	1 357 466	-	(10 597 711)
TOTAL ACCUMULATED DEPRECIATION	(69 883 045)	(3 472 734)	1 357 466	-	(71 998 313)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	68 626 086	(2 369 539)	(3 535)	252 369	66 505 381
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 72 857 865	\$ 8 799 466	\$ (3 535)	\$ (6 365)	\$ 81 647 431
	BEGINNING BALANCES	INCREASES	DECREASES	TRANSFERS	ENDING BALANCES
INTERNAL SERVICE ACTIVITIES					
Capital Assets Being Depreciated:					
Furniture and equipment	\$ 365 257	\$ -	\$ -	\$ 6 365	\$ 371 622
TOTAL CAPITAL ASSETS BEING DEPRECIATED	365 257	-	-	6 365	371 622
Less Accumulated Depreciation for:					
Furniture and equipment	(286 424)	(20 687)	-	-	(307 111)
TOTAL ACCUMULATED DEPRECIATION	(286 424)	(20 687)	-	-	(307 111)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	78 833	(20 687)	-	6 365	64 511
INTERNAL SERVICE ACTIVITIES CAPITAL ASSETS, NET	\$ 78 833	\$ (20 687)	\$ -	\$ 6 365	\$ 64 511

LUFKIN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2020

NOTE D - CAPITAL ASSETS - CONTINUED

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

Instruction	\$	909 788
Instructional leadership		61 912
School leadership		16 989
Student transportation		193 157
Food services		500 787
Cocurricular/extracurricular activities		209 465
General administration		143 316
Plant maintenance and operations		917 326
Security and monitoring services		55 528
Data processing services		455 458
Community services		9 008
	\$	3 472 734

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

Instruction	\$	10 308
Instructional leadership		701
School leadership		192
Student transportation		2 188
Food services		5 674
General administration		1 624
	\$	20 687

NOTE E - INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2020, consisted of the following:

DUE TO FUND	DUE FROM FUND	AMOUNT	PURPOSE
General fund	Special revenue funds	\$ 2 994 065	Short-term advances
Special revenue	General fund	2 003 811	Short-term advances
Internal service	General fund	19 928	Short-term advances
Capital project fund	General fund	2 500	
	TOTAL	\$ 5 020 304	

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

2. Transfers To and From Other Funds

TRANSFER TO FUND	TRANSFER FROM FUND	AMOUNT	PURPOSE
Advertising fund	General fund	\$ 14 983	Repayment of short term loan
	TOTAL	\$ 14 983	

NOTE F - DUE TO/DUE FROM OTHER GOVERNMENTS

Due from other governments consisted of the following at August 31, 2020:

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
Due from State - Days of instruction	\$ 101 191	\$ -	\$ 101 191
Due from State - Foundation revenue	1 533 205	-	1 533 205
Due from State - Grant programs	-	3 490 767	3 490 767
Due from Federal Agencies	137 324	-	137 324
TOTAL	\$ 1 771 720	\$ 3 490 767	\$ 5 262 487

At August 31, 2020, due to other governments consisted of \$888,467 for EDA revenue.

LUFKIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2020

NOTE G - LONG-TERM OBLIGATIONS

1. Long-Term Obligation Activity:

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2020, are as follows:

GOVERNMENTAL ACTIVITIES	BALANCE 08/31/2019	INCREASES	DECREASES	BALANCE 08/31/2020	AMOUNTS DUE WITHIN ONE YEAR
Series 2012 Bonds	\$ 4 445 000	\$ -	\$ (1 455 000)	\$ 2 990 000	\$ 1 480 000
Premium	69 427	-	(23 143)	46 284	
Series 2014 Bonds	2 580 000	-	(625 000)	1 955 000	635 000
Premium	349 260	-	(69 852)	279 408	
Series 2015 Bonds	8 440 000	-	(140 000)	8 300 000	140 000
Premium	864 538	-	(45 502)	819 036	
Deferral on refunding	(653 567)	-	34 398	(619 169)	
Series 2016 Bonds	8 700 000	-	-	8 700 000	350 000
CAB	314 999	-	(314 999)	-	
Premium	484 278	-	(80 713)	403 565	
CAB - Accretion	22 501	7 500	(30 001)	-	
Deferral on refunding	(315 165)	-	21 292	(293 873)	
Series 2017 Bonds	8 820 000	-	(40 000)	8 780 000	40 000
Premium	610 524	-	(33 918)	576 606	
Deferral on refunding	(213 400)	-	10 670	(202 730)	
Series 2018 Bonds	42 645 000	-	(1 250 000)	41 395 000	1 505 000
Premium	2 858 070	-	(119 086)	2 738 984	
Deferral on refunding	(153 736)	-	19 217	(134 519)	
Series 2020 Bond	-	24 435 000	-	24 435 000	-
Premium	-	1 552 715	-	1 552 715	
Capital leases	1 635 655	930 487	(1 132 969)	1 433 173	721 626
TOTAL GOVERNMENTAL ACTIVITIES	\$ 81 503 384	\$ 26 925 702	\$ (5 274 606)	\$ 103 154 480	\$ 4 871 626

Reconciliation from schedule above to Exhibit A-1:

Bonds payable current	\$ 4 150 000
Capital lease current	721 626
TOTAL DUE WITHIN ONE YEAR - 2501	4 871 626
Bonds payable long-term	92 405 000
Capital lease long-term	711 548
TOTAL DUE IN MORE THAN ONE YEAR - 2502	93 116 548
TOTAL PREMIUM ON ISSUANCE OF BONDS - 2516	6 416 598
TOTAL DEFERRED CHARGES ON REFUNDING - 1700	(1 250 291)
TOTAL SCHEDULE ABOVE	\$ 103 154 480

2. Bonds Payable:

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

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

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

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

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

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2020

NOTE G - LONG-TERM OBLIGATIONS - CONTINUED

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

The Series 2020 Unlimited Tax School Building bonds were issued in an original amount of \$24,435,000. The bonds were issued at a premium of 1.771389 and cost issuance of \$363,674. Interest rates range from 2.25 - 5.00%

Debt service requirements on long-term debt at August 31, 2020, are as follows:

YEAR ENDING AUGUST 31,	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2021	\$ 4 150 000	\$ 3 329 036	\$ 7 479 036
2022	4 140 000	3 223 536	7 363 536
2023	3 660 000	3 098 836	6 758 836
2024	3 190 000	2 937 830	6 127 830
2025	3 315 000	2 787 124	6 102 124
2026-2030	18 755 000	11 554 276	30 309 276
2031-2035	22 630 000	7 887 581	30 517 581
2036-2040	23 335 000	4 056 119	27 391 119
2041-2045	13 380 000	971 913	14 351 913
TOTALS	\$ 96 555 000	\$ 39 846 251	\$ 136 401 251

3. Capital Leases:

At August 31, 2020, the District has several capital lease agreements. The details of those agreements are as follows:

LESSOR	ASSET LEASED	INTEREST RATE
Regions Commercial Equipment Finance, LLC	Scoreboard	3.79%
Dell Financial Services	Computers	4.73%
Dell Financial Services	Laptops	2.50%
Dell Financial Services	Ipads	3.50%
Dell Financial Services	Server	

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

ASSET	GOVERNMENTAL ACTIVITIES
Furniture and equipment	\$ 1 309 952
Less: Accumulated depreciation	(595 238)
TOTAL	\$ 714 714

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

Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of August 31, 2020, as follows:

YEAR ENDING AUGUST 31,	
2021	\$ 770 446
2022	498 774
2023	247 091
TOTAL MINIMUM RENTALS	1 516 311
Less amount representing interest	(83 138)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$ 1 433 173

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2020

NOTE H - RISK MANAGEMENT

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

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

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

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

The Workers' Compensation program is authorized by Chapter 504 of the Texas Labor Code. The Fund provides statutory workers' compensation benefits to its members' injured employees. The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of \$2,000,000. The fund uses the services of an independent actuary to determine the reserve adequacy and fully funds those reserves. As of August 31, 2019, the Fund carries a discounted reserve of \$49,076,113 for future development on reported claims and claims that have been incurred but not yet reported.

For the year ended August 31, 2020, 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, 2019 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance.

NOTE I - PENSION PLAN

1. Plan Description:

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

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

2. Pension Plan Fiduciary Net Position:

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2020

NOTE I - PENSION PLAN

3. Benefits Provided:

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

4. Contributions:

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2019 and 2020.

	CONTRIBUTION RATES	
	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer Contributions - 2020		\$ 1 793 812
Member Contributions - 2020		\$ 4 420 296
NECE On-behalf Contributions - 2019		\$ 2 487 312

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

LUFKIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2020

NOTE I - PENSION PLAN - CONTINUED

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

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

5. Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

6. Discount Rate

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

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

* Target allocations are based on the FY2016 policy model.

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2020

NOTE I - PENSION PLAN - CONTINUED

For the fiscal year ended August 31, 2019, the annual money-weighted rate of return on pension plan investments was 7.25 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

	1% DECREASE IN DISCOUNT RATE (6.25%)	DISCOUNT RATE (7.25%)	1% INCREASE IN DISCOUNT RATE (8.25%)
District proportionate share of the net pension liability	\$ 32 604 821	\$ 21 211 281	\$ 11 980 315

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

At August 31, 2020, the District reported a liability of \$21,211,281 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 21 211 281
State's proportionate share that is associated with the District	<u>36 942 648</u>
TOTAL	<u>\$ 58 153 929</u>

The net pension liability was measured as of August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019 the District's proportion of the collective net pension liability was 0.0406% which was an increase of 0.0007% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation - The following changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

The total pension liability as of August 31, 2019 was developed using a roll-forward method from the August 31, 2018 valuation.

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2018.

Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.

The discount rate changed from 6.07 percent as of August 31, 2018 to 7.25 percent as of August 31, 2019.

The long term assumed rate of return changed from 8.0 percent to 7.25 percent.

The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

For the year ended August 31, 2020, the District recognized pension expense of \$5,803,170 and revenue of \$5,803,170 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 89 106	\$ 736 489
Changes in actuarial assumptions	6 580 781	2 719 490
Difference between projected and actual investment earnings	1 275 229	1 062 243
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1 436 362	292
Contributions paid to TRS subsequent to the measurement date	<u>1 793 812</u>	<u>-</u>
TOTAL	<u>\$ 11 175 290</u>	<u>\$ 4 518 514</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2020

NOTE I - PENSION PLAN - CONTINUED

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

YEAR ENDED AUGUST 31,	PENSION EXPENSE
2021	\$ 1 289 855
2022	\$ 1 037 012
2023	\$ 1 206 419
2024	\$ 1 133 487
2025	\$ 386 660
Thereafter	\$ (190 469)

NOTE J - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

A. Plan Description

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

B. OPEB Plan Fiduciary Net Position

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

C. Benefits Provided

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

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

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

TRS-Care Monthly for Retirees			
January 1, 2019 - December 31, 2019			
	Medicare		Non-Medicare
Retiree*	\$ 135	\$	200
Retiree and Spouse	529		689
Retiree* and Children	468		408
Retiree and Family	1 020		999

* or surviving spouse

D. Contributions

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

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2020

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

	Contribution Rates	
	2019	2020
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 - 2020	\$ 498 786	
Member Contributions - 2020	\$ 373 142	
NECE On-behalf Contributions - 2019	\$ 604 967	

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$93.7 million in fiscal year 2019.

E. Actuarial Assumptions

The total OPEB liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018
Methods and Assumptions:	
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Demographic Assumptions	Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2018.
Mortality Assumption	The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection, the ultimate improvement rates from the most recently published projection scale ("U-MP").
Healthcare Trend Rates	Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first year medical trend for Medicare retirees (107.74%) reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.
Election Rates	Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 9 years.
Aging Factors	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Expenses	Based on plan specific experience.
	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.

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

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

F. Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was an increase of 1.06% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of the net OPEB liability	\$ 36 628 616	\$ 30 338 758	\$ 25 418 197

LUFKIN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2020

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

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

At August 31, 2020, the District reported a liability of \$30,338,758 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provide to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 30 338 758
State's proportionate share that is associated with the District	40 313 424
TOTAL	\$ 70 652 182

The Net OPEB Liability was measured as of August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019, the employer's proportion of the collective Net OPEB Liability was 0.0642% which is an increase of 0.002% from August 31, 2018.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 4.5% rate is used.

	1% Decrease in Healthcare Trend Rate (3.5%)	Current Single Healthcare Trend Rate (4.5%)	1% Increase in Healthcare Trend Rate (5.5%)
District's proportionate share of the net OPEB liability	\$ 24 749 295	\$ 30 338 758	\$ 37 826 073

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

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

1. Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2019. This change increased the Total OPEB Liability.
2. The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2021. This change increased the Total OPEB Liability.
3. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2018. This change increased the Total OPEB Liability.
4. The discount rate was changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change lowered the Total OPEB Liability
5. Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section G. for a list of changes made effective September 1, 2018 by the 85th Texas Legislature.

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

For the year ended August 31, 2020, the District recognized OPEB expense of \$1,062,496 and revenue of \$1,062,496 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1 488 374	\$ 4 964 616
Changes in actuarial assumptions	1 685 081	8 160 381
Difference between projected and actual investment earnings	3 937	664
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1 505 948	-
Contributions paid to TRS subsequent to the measurement date	498 786	-
TOTAL	\$ 5 182 126	\$ 13 125 661

LUFKIN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2020

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

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

YEAR ENDED AUGUST 31,	OPEB EXPENSE AMOUNT
2021	\$ (1 461 470)
2022	\$ (1 461 470)
2023	\$ (1 462 529)
2024	\$ (1 463 135)
2025	\$ (1 462 969)
Thereafter	\$ (1 130 748)

The Medicare Modernization Act of 2003 (MMA) created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were made available in 2006. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. Under Medicare Part D and the RDS program, TRS-Care received payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire covered payroll reported by all participating reporting entities. TRS based this allocation percentage on the "completed" report submissions by reporting entities for the month of May. For the fiscal years ended August 31, 2020, 2019 and 2018, the subsidy payments received by TRS-Care on behalf of the District were \$271,820, \$195,906, and \$153,001, respectively.

NOTE K - COMMITMENTS AND CONTINGENCIES

1. Construction Commitments:

The District had commitments on its uncompleted construction contracts as of August 31, 2020 as follows:

PROJECT	CONTRACTOR	AMOUNT
LMS Renovation	Goodwin Lasiter Strong	\$ 49 509 650
LMH Multipurpose Gym	Goodwin Lasiter Strong	\$ 7 591 953
LHS Sports Complex	Goodwin Lasiter Strong	\$ 5 126 628

2. Lease Commitment:

The District accounted for a non-cancelable lease agreement for copiers as an operating lease. Future minimum lease payments as of August 31, 2020 are as follows:

YEAR ENDED AUGUST 31,	FUTURE PAYMENTS
2021	\$ 148 406
2022	148 406
2023	148 406
TOTAL	\$ 445 218

Rental expenditures for the District's copier lease totaled \$148,307.

3. Contingencies:

Grant Programs

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

TAPS

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2020

NOTE K - COMMITMENTS AND CONTINGENCIES - CONTINUED

4. Litigation:

No reportable litigation was pending against the District at August 31, 2020.

NOTE L - SHARED SERVICES ARRANGEMENTS

Shared Services Arrangement - Fiscal Agent:

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

MEMBER DISTRICTS	REGIONAL DAY SCHOOL	ECHS
Lufkin ISD	\$ 130 100	\$ 53 350
Hudson ISD	19 305	20 156
Diboll ISD	9 230	25 434
Huntington ISD	4 930	11 309
Central ISD	13 730	18 955
Zavalla ISD	9 600	2 519
Crockett ISD	4 980	-
Broaddus ISD	24 960	-
Centerville ISD	75	-
Big Sandy ISD	4 560	-
Trinity ISD	4 560	-
Corrigan Camden ISD	4 480	-
Groveton ISD	740	-
West Sabine ISD	4 560	-
Onalaska ISD	8 960	-
Leggett ISD	4 800	-
Brookeland ISD	500	-
TOTAL	\$ <u>250 070</u>	\$ <u>131 723</u>

Shared Service Arrangement - Membership:

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

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

NOTE M - SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through January 21, 2021, the date the statements were available to be issued.

NOTE N - COVID-19 PANDEMIC IMPACT

A novel strain of coronavirus (COVID-19) was spread to the United States of America in January and February 2020. The World Health Organization declared the outbreak to constitute a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our students, employees and vendors all of which are uncertain and cannot be predicted. As of the date these financial statements are issued, COVID-19 had not materially affected results of operations in 2020. However, the impact of response efforts on future operations cannot be predicted.

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, 2020

EXHIBIT G-1

DATA CONTROL CODES		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 27 542 225	\$ 27 572 225	\$ 27 937 135	\$ 364 910
5800	State program revenues	51 516 620	52 235 640	49 148 290	(3 087 350)
5900	Federal program revenues	620 500	620 500	1 345 318	724 818
5020	TOTAL REVENUES	<u>79 679 345</u>	<u>80 428 365</u>	<u>78 430 743</u>	<u>(1 997 622)</u>
	Expenditures:				
	Current:				
0011	Instruction	41 701 882	45 572 725	40 540 517	5 032 208
0012	Instructional resources and media services	759 656	831 866	739 154	92 712
0013	Curriculum and staff development	1 745 485	1 897 097	1 912 115	(15 018)
0021	Instructional leadership	1 568 407	1 564 424	1 502 983	61 441
0023	School leadership	5 008 472	5 138 058	4 389 603	748 455
0031	Guidance, counseling and evaluation services	2 765 717	2 795 436	2 771 230	24 206
0032	Social work	68 480	78 614	72 973	5 641
0033	Health services	883 392	934 193	850 907	83 286
0034	Student transportation	2 988 345	3 048 517	2 862 300	186 217
0035	Food services	-	-	84 768	(84 768)
0036	Co-curricular/extracurricular activities	1 739 013	1 601 724	1 587 163	14 561
0041	General administration	2 402 795	2 532 282	2 354 022	178 260
0051	Plant maintenance and operations	8 495 635	9 167 987	7 926 485	1 241 502
0052	Security and monitoring services	1 366 725	1 431 233	1 414 967	16 266
0053	Data processing services	1 952 096	1 950 107	2 692 869	(742 762)
0061	Community services	40 130	28 568	27 083	1 485
0071	Debit services	926 876	1 173 967	1 173 703	264
0081	Facilities acquisition and construction	-	105 992	101 410	4 582
0093	Payments shared service arrangements	272 217	300 715	300 715	-
0099	Other government charges	681 074	631 074	592 491	38 583
6030	TOTAL EXPENDITURES	<u>75 366 397</u>	<u>80 784 579</u>	<u>73 897 458</u>	<u>6 887 121</u>
1100	EXCESS REVENUE OVER EXPENDITURES	<u>4 312 948</u>	<u>(356 214)</u>	<u>4 533 285</u>	<u>4 889 499</u>
	Other Financing Sources (Uses):				
7913	Capital lease proceeds	-	1 034 781	930 487	(104 294)
8925	Transfers out	-	-	(14 983)	(14 983)
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>1 034 781</u>	<u>915 504</u>	<u>(119 277)</u>
1200	NET CHANGE IN FUND BALANCES	4 312 948	678 567	5 448 789	4 770 222
0100	Fund balance - Beginning	23 249 450	23 249 450	23 249 450	-
3000	FUND BALANCE - ENDING	<u>\$ 27 562 398</u>	<u>\$ 23 928 017</u>	<u>\$ 28 698 239</u>	<u>\$ 4 770 222</u>

See independent auditors' report.

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

EXHIBIT G-2

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0408%	0.0406%	0.0399%	0.0398%	0.0410%	0.0263%
District's proportionate share of the net pension liability (asset)	\$ 21 211 281	\$ 22 334 885	\$ 12 743 869	\$ 15 023 180	\$ 14 481 890	\$ 7 027 070
State's proportionate share of the net pension liability (asset) associated with the District	<u>36 942 648</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>
TOTAL	<u>\$ 58 153 929</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>
District's covered-employee payroll	\$ 51 349 869	\$ 50 277 113	\$ 48 259 514	\$ 47 407 377	\$ 46 514 382	\$ 45 682 704
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.31%	44.42%	26.41%	31.69%	31.13%	15.38%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Information provided by the Teacher Retirement System of Texas.

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

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

EXHIBIT G-3

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1 793 812	\$ 1 427 961	\$ 1 366 667	\$ 1 306 254	\$ 1 263 147	\$ 1 213 100
Contributions in relation to the contractually required contribution	<u>(1 793 812)</u>	<u>(1 427 961)</u>	<u>(1 366 667)</u>	<u>(1 306 254)</u>	<u>(1 263 147)</u>	<u>(1 213 100)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
District's covered-employee payroll	\$ 57 405 277	\$ 51 349 869	\$ 50 277 113	\$ 48 259 514	\$ 47 407 377	\$ 46 514 382
Contributions as a percentage of Covered payroll	3.12%	2.78%	2.72%	2.67%	2.66%	2.61%

Information provided by the Teacher Retirement System of Texas.

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

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

EXHIBIT G-6

District's Proportionate Share of Liability	2019	2018	2017
District's proportion of the OPEBL	0.0642%	0.0640%	0.0610%
District's proportionate share of the OPEBL	\$ 30 338 758	\$ 31 957 051	\$ 26 543 032
State share of the OPEBL associated with the District	<u>40 313 424</u>	<u>41 377 775</u>	<u>36 672 199</u>
TOTAL	\$ <u>70 652 182</u>	\$ <u>73 334 826</u>	\$ <u>63 215 231</u>
District's covered-employee payroll* <i>Prior FY TRS Gross - September through August</i>	\$ 51 349 869	\$ 50 277 113	\$ 48 259 514
Proportionate share/covered payroll	59.08%	63.56%	55.00%
Plan fiduciary net position/total OPEB liability	2.66%	1.57%	0.91%
District Contributions			
	2020	2019	2018
Contractually required contribution	\$ 498 786	\$ 455 417	\$ 441 421
Contributions to required contribution	<u>(498 786)</u>	<u>(455 417)</u>	<u>(441 421)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Current fiscal year TRS gross	\$ 57 405 227	\$ 51 349 869	\$ 50 277 113
Contributions to covered payroll	0.87%	0.89%	0.88%

Information provided by the Teacher Retirement System of Texas.

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended August 31, 2020

Budget

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

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

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

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

Defined Benefit Pension and OPEB Plan

Changes of Benefit Terms

See Notes I and J for current year changes.

Changes of Assumptions

See Notes I and J for current year changes.

COMBINING STATEMENTS AND BUDGET COMPARISONS
AS SUPPLEMENTARY INFORMATION

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 August 31, 2020

EXHIBIT H-1

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-1)
	ASSETS			
1110	Cash and cash equivalent	\$ 2 053 845	\$ 228 901	\$ 2 282 746
1225	Taxes receivable, net	-	230 002	230 002
1240	Due from other government	3 490 767	-	3 490 767
1260	Due from other funds	85 028	-	85 028
1290	Other receivables	8 109	-	8 109
1300	Inventory	21 789	-	21 789
1000	TOTAL ASSETS	\$ 5 659 538	\$ 458 903	\$ 6 118 441
	LIABILITIES			
	Current Liabilities:			
2110	Accounts payable	\$ 263 360	\$ -	\$ 263 360
2160	Accrued wages payable	317 894	-	317 894
2170	Due to other funds	2 994 065	-	2 994 065
2000	TOTAL LIABILITIES	3 575 319	-	3 575 319
	DEFERRED INFLOWS			
2600	Deferred revenue	-	230 002	230 002
	TOTAL LIABILITIES AND DEFERRED INFLOWS	3 575 319	230 002	3 805 321
	FUND BALANCES			
	Nonspendable Fund Balance:			
3410	Inventory	21 789	-	21 789
	Restricted Fund Balances:			
3450	Federal/state funds grant	1 383 912	-	1 383 912
3480	Restricted for debt service	-	228 901	228 901
3490	Other restrictions of fund balance	678 518	-	678 518
3000	TOTAL FUND BALANCE	2 084 219	228 901	2 313 120
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 5 659 538	\$ 458 903	\$ 6 118 441

LUFKIN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended August 31, 2020

EXHIBIT H-2

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-2)
	Revenues:			
5700	Local and intermediate sources	\$ 1 310 601	\$ 6 266 278	\$ 7 576 879
5800	State program revenues	760 885	512 611	1 273 496
5900	Federal program revenues	<u>10 998 453</u>	-	<u>10 998 453</u>
5020	TOTAL REVENUE	<u>13 069 939</u>	<u>6 778 889</u>	<u>19 848 828</u>
	Expenditures:			
	Current:			
0011	Instruction	4 632 291	-	4 632 291
0012	Instructional resources and media services	30 289	-	30 289
0013	Curriculum and staff development	1 448 848	-	1 448 848
0021	Instructional leadership	483 847	-	483 847
0023	School leadership	842 937	-	842 937
0031	Guidance, counseling, and evaluation services	174 680	-	174 680
0032	Social work	72 894	-	72 894
0035	Food service	4 462 358	-	4 462 358
0036	Cocurricular/extracurricular activities	138 411	-	138 411
0041	General administration	30 565	-	30 565
0051	Facilities maintenance and operations	740 771	-	740 771
0053	Data processing services	76 586	-	76 586
0061	Community services	21 924	-	21 924
0071	Principal on long-term debt	-	7 271 333	7 271 333
0081	Capital outlay	<u>52 815</u>	-	<u>52 815</u>
6030	TOTAL EXPENDITURES	<u>13 209 216</u>	<u>7 271 333</u>	<u>20 480 549</u>
1100	EXCESS REVENUE OVER EXPENDITURES	<u>(139 277)</u>	<u>(492 444)</u>	<u>(631 721)</u>
	Other Financing Sources:			
7916	Premium on bond issue	-	706 389	706 389
7080	TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>706 389</u>	<u>706 389</u>
1200	NET CHANGE IN FUND BALANCES	(139 277)	213 945	74 668
0100	Fund balances - Beginning	2 223 496	14 956	2 238 452
3000	FUND BALANCES - ENDING	<u>\$ 2 084 219</u>	<u>\$ 228 901</u>	<u>\$ 2 313 120</u>

See independent auditors' report.

LUFKIN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 August 31, 2020

DATA CONTROL CODES		211	219	224	225
		TITLE I, PART A - IMPROVING BASIC PROGRAMS	TITLE I, PART D, SUBPART 2	IDEA - PART B, FORMULA	IDEA - PART B, PRE- SCHOOL
	ASSETS				
1110	Cash and cash equivalent	\$ -	\$ -	\$ -	\$ -
1240	Due from other government	575 473	1 691	288 396	76
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventory	-	-	-	-
1000	TOTAL ASSETS	<u>\$ 575 473</u>	<u>\$ 1 691</u>	<u>\$ 288 396</u>	<u>\$ 76</u>
	LIABILITIES				
	Current Liabilities:				
2110	Accounts payable	\$ 104 772	\$ -	\$ 21 973	\$ -
2160	Accrued wages payable	182 918	-	95 918	-
2170	Due to other funds	<u>287 783</u>	<u>1 691</u>	<u>170 505</u>	<u>76</u>
2000	TOTAL LIABILITIES	<u>575 473</u>	<u>1 691</u>	<u>288 396</u>	<u>76</u>
	FUND BALANCES				
3410	Nonspendable - inventory	-	-	-	-
	Restricted Fund Balances:				
3450	Restricted for food service	-	-	-	-
3490	Other restricted of fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	TOTAL FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 575 473</u>	<u>\$ 1 691</u>	<u>\$ 288 396</u>	<u>\$ 76</u>

See independent auditors' report.

240	242	244	255	263	266	270
NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM	SUMMER FEEDING PROGRAM	CAREER AND TECHNICAL - BASIC GRANT	TITLE II, PART A - TEACHER & PRINCIPAL TRAINING & RECRUITING	ENGLISH LANGUAGE ACQUISITION & ENHANCEMENT	ELEMENTARY AND SECONDARY SCHOOLS EMERGENCY RELIEF	ESEA TITLE VI PART B
\$ 1 362 480	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
59 147	-	7 670	32 584	26 997	1 965 612	14 233
85 028	-	-	-	-	-	-
-	-	-	-	-	-	-
21 789	-	-	-	-	-	-
<u>\$ 1 528 444</u>	<u>\$ -</u>	<u>\$ 7 670</u>	<u>\$ 32 584</u>	<u>\$ 26 997</u>	<u>\$ 1 965 612</u>	<u>\$ 14 233</u>
\$ 83 685	\$ -	\$ 487	\$ 1 379	\$ 12 915	\$ -	\$ 109
39 058	-	-	-	-	-	-
-	-	7 183	31 205	14 082	1 965 612	14 124
<u>122 743</u>	<u>-</u>	<u>7 670</u>	<u>32 584</u>	<u>26 997</u>	<u>1 965 612</u>	<u>14 233</u>
21 789	-	-	-	-	-	-
1 383 912	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1 405 701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1 528 444</u>	<u>\$ -</u>	<u>\$ 7 670</u>	<u>\$ 32 584</u>	<u>\$ 26 997</u>	<u>\$ 1 965 612</u>	<u>\$ 14 233</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED
 August 31, 2020

DATA CONTROL CODES	274	288	289	315	340	385
	GEAR UP 2012	TITLE VI PART A	TITLE VI PART A	SSA IDEA - PART B, DISCRET- IONARY	SSA IDEA B PRE- SCHOOL DEAF	SUPPLE- MENTAL VISUALLY IMPAIRED
ASSETS						
1110	Cash and cash equivalent	\$ -	\$ -	\$ -	\$ -	\$ -
1240	Due from other government	280 445	8 662	-	5 240	-
1260	Due from other funds	-	-	-	-	-
1290	Other receivables	-	-	-	-	-
1300	Inventory	-	-	-	-	-
1000	TOTAL ASSETS	<u>\$ 280 445</u>	<u>\$ 8 662</u>	<u>\$ -</u>	<u>\$ 5 240</u>	<u>\$ -</u>
LIABILITIES						
Current Liabilities:						
2110	Accounts payable	\$ 8 121	\$ -	\$ -	\$ 40	\$ -
2160	Accrued wages payable	-	-	-	-	-
2170	Due from other funds	<u>272 324</u>	<u>8 662</u>	<u>-</u>	<u>5 200</u>	<u>-</u>
2000	TOTAL LIABILITIES	<u>280 445</u>	<u>8 662</u>	<u>-</u>	<u>5 240</u>	<u>-</u>
FUND BALANCES						
3410	Nonspendable - inventory	-	-	-	-	-
Restricted Fund Balances:						
3450	Restricted for food service	-	-	-	-	-
3490	Other restricted of fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	TOTAL FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 280 445</u>	<u>\$ 8 662</u>	<u>\$ -</u>	<u>\$ 5 240</u>	<u>\$ -</u>

See independent auditors' report.

397	410	427	428	429	435	459
ADVANCED PLACEMENT INCENTIVE	TEXT- BOOK FUND	LITERARY STIPEND	READ TO SUCCEED	SCHOOL SAFETY AND SECURITY GRANT	SSA REGIONAL DAY SCHOOL FOR THE DEAF	SUMMER SCHOOL CTE
\$ 493	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1 586
-	196 440	-	-	-	27 260	841
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 493</u>	<u>\$ 196 440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27 260</u>	<u>\$ 2 427</u>
\$ -	\$ 2 859	\$ -	\$ -	\$ -	\$ 5 223	\$ 2 427
-	-	-	-	-	-	-
-	193 581	-	-	-	22 037	-
-	196 440	-	-	-	27 260	2 427
-	-	-	-	-	-	-
-	-	-	-	-	-	-
493	-	-	-	-	-	-
493	-	-	-	-	-	-
<u>\$ 493</u>	<u>\$ 196 440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27 260</u>	<u>\$ 2 427</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED
 August 31, 2020

EXHIBIT H-3
 Page 3 of 3

DATA CONTROL CODES		461 CAMPUS ACTIVITY FUNDS	499 OTHER SPECIAL REVENUE	SPECIAL REVENUE FUNDS (SEE EXHIBIT H-1)
	ASSETS			
1110	Cash and cash equivalent	\$ 223 927	\$ 465 359	\$ 2 053 845
1240	Due from other government	-	-	3 490 767
1260	Due from other funds	-	-	85 028
1290	Other receivables	-	8 109	8 109
1300	Inventory	-	-	21 789
1000	TOTAL ASSETS	\$ 223 927	\$ 473 468	\$ 5 659 538
	LIABILITIES			
	Current Liabilities:			
2110	Accounts payable	\$ 5 646	\$ 13 724	\$ 263 360
2160	Accrued wages payable	-	-	317 894
2170	Due from other funds	-	-	2 994 065
2000	TOTAL LIABILITIES	5 646	13 724	3 575 319
	FUND BALANCES			
3410	Nonspendable - inventory	-	-	21 789
	Restricted Fund Balances:			
3450	Restricted for food service	-	-	1 383 912
3490	Other restricted of fund balance	218 281	459 744	678 518
3000	TOTAL FUND BALANCE	218 281	459 744	2 084 219
4000	TOTAL LIABILITIES AND FUND BALANCES	\$ 223 927	\$ 473 468	\$ 5 659 538

See independent auditors' report.

LUFKIN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended August 31, 2020

DATA CONTROL CODES		211	219	224	225
		TITLE I, PART A - IMPROVING BASIC PROGRAMS	TITLE I, PART D, SUBPART 2	IDEA - PART B, FORMULA	IDEA - PART B, PRE- SCHOOL
	Revenues:				
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	<u>2 279 716</u>	<u>23 915</u>	<u>1 388 896</u>	<u>1 557</u>
5020	TOTAL REVENUES	<u>2 279 716</u>	<u>23 915</u>	<u>1 388 896</u>	<u>1 557</u>
	Expenditures:				
	Current:				
0011	Instruction	1 175 127	23 915	1 353 648	1 557
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and staff development	879 318	-	-	-
0021	Instructional leadership	78 034	-	28 833	-
0023	School leadership	-	-	1 683	-
0031	Guidance, counseling, and evaluation services	65 526	-	4 732	-
0032	Social work	72 894	-	-	-
0035	Food services	-	-	-	-
0036	Cocurricular/extra- curricular activities	1 000	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	7 817	-	-	-
0081	Capital outlay	-	-	-	-
6030	TOTAL EXPENDITURES	<u>2 279 716</u>	<u>23 915</u>	<u>1 388 896</u>	<u>1 557</u>
1200	NET CHANGE IN FUND BALANCES	-	-	-	-
0100	Fund balances - Beginning	-	-	-	-
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

240	242	244	255	263	266	270
NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM	SUMMER FEEDING PROGRAM	CAREER AND TECHNICAL - BASIC GRANT	TITLE II, PART A - TEACHER & PRINCIPAL TRAINING & RECRUITING	ENGLISH LANGUAGE ACQUISITION & ENHANCEMENT	ELEMENTARY AND SECONDARY SCHOOLS EMERGENCY RELIEF	ESEA TITLE VI PART B
\$ 198 952	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
162 730	-	-	-	-	-	-
<u>3 822 392</u>	<u>96 655</u>	<u>114 862</u>	<u>262 943</u>	<u>125 053</u>	<u>1 772 275</u>	<u>115 944</u>
<u>4 184 074</u>	<u>96 655</u>	<u>114 862</u>	<u>262 943</u>	<u>125 053</u>	<u>1 772 275</u>	<u>115 944</u>
-	-	51 566	-	122 004	42 848	111 559
-	-	-	-	-	-	-
-	-	-	256 667	1 852	40 841	-
-	-	-	1 833	1 197	82 428	4 385
-	-	-	-	-	772 602	-
-	-	63 296	-	-	-	-
-	-	-	-	-	-	-
4 365 703	96 655	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	16 199	-
-	-	-	-	-	740 771	-
-	-	-	-	-	76 586	-
-	-	-	4 443	-	-	-
<u>21 125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4 386 828</u>	<u>96 655</u>	<u>114 862</u>	<u>262 943</u>	<u>125 053</u>	<u>1 772 275</u>	<u>115 944</u>
(202 754)	-	-	-	-	-	-
<u>1 608 455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1 405 701</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED
 For the Year Ended August 31, 2020

DATA CONTROL CODES	274 GEAR UP 2012	288 TITLE VI PART A	289 TITLE VI PART A	315 SSA IDEA - PART B, DISCRET- IONARY	340 SSA IDEA B PRE- SCHOOL DEAF	385 SUPPLE- MENTAL VISUALLY IMPAIRED
Revenues:						
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-	3 770
5900	Federal program revenues	<u>905 526</u>	<u>39 661</u>	<u>5 343</u>	<u>43 469</u>	<u>246</u>
5020	TOTAL REVENUES	<u>905 526</u>	<u>39 661</u>	<u>5 343</u>	<u>43 469</u>	<u>246</u>
Expenditures:						
Current:						
0011	Instruction	471 432	-	5 343	43 469	246
0012	Instructional resources and media services	-	-	-	-	-
0013	Curriculum and staff development	245 035	10 215	-	-	-
0021	Instructional leadership	188 459	29 446	-	-	-
0023	School leadership	600	-	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-	-	-
0032	Social work	-	-	-	-	-
0035	Food services	-	-	-	-	-
0036	Cocurricular/extra- curricular activities	-	-	-	-	-
0041	General administration	-	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-	-
0053	Data processing services	-	-	-	-	-
0061	Community services	-	-	-	-	-
0081	Capital outlay	-	-	-	-	-
6030	TOTAL EXPENDITURES	<u>905 526</u>	<u>39 661</u>	<u>5 343</u>	<u>43 469</u>	<u>246</u>
1200	NET CHANGE IN FUND BALANCES	-	-	-	-	-
0100	Fund balances - Beginning	-	-	-	-	-
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

397	410	427	428	429	435 SSA REGIONAL DAY SCHOOL FOR THE DEAF	459
ADVANCED PLACEMENT INCENTIVE	TEXT- BOOK FUND	LITERARY STIPEND	READ TO SUCCEED	SCHOOL SAFETY AND SECURITY GRANT		SUMMER SCHOOL CTE
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
493	238 730	8 400	32	31 690	295 640	19 400
-	-	-	-	-	-	-
<u>493</u>	<u>238 730</u>	<u>8 400</u>	<u>32</u>	<u>31 690</u>	<u>295 640</u>	<u>19 400</u>
-	238 730	8 400	-	-	227 553	19 400
-	-	-	92	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	68 087	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	31 690	-	-
<u>-</u>	<u>238 730</u>	<u>8 400</u>	<u>92</u>	<u>31 690</u>	<u>295 640</u>	<u>19 400</u>
493	-	-	(60)	-	-	-
-	-	-	60	-	-	-
<u>\$ 493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED
 For the Year Ended August 31, 2020

EXHIBIT H-4
 Page 3 of 3

<u>DATA CONTROL CODES</u>		<u>461 CAMPUS ACTIVITY FUNDS</u>	<u>499 OTHER SPECIAL REVENUE</u>	<u>SPECIAL REVENUE FUNDS (SEE EXHIBIT H-2)</u>
	Revenues:			
5700	Local and intermediate sources	\$ 263 145	\$ 848 504	\$ 1 310 601
5800	State program revenues	-	-	760 885
5900	Federal program revenues	-	-	10 998 453
5020	TOTAL REVENUES	<u>263 145</u>	<u>848 504</u>	<u>13 069 939</u>
	Expenditures:			
	Current:			
0011	Instruction	162 625	569 099	4 632 291
0012	Instructional resources and media services	30 197	-	30 289
0013	Curriculum and staff development	-	14 920	1 448 848
0021	Instructional leadership	1 145	-	483 847
0023	School leadership	3 532	64 520	842 937
0031	Guidance, counseling, and evaluation services	-	41 126	174 680
0032	Social work	-	-	72 894
0035	Food services	-	-	4 462 358
0036	Cocurricular/extra- curricular activities	30 395	107 016	138 411
0041	General administration	670	13 696	30 565
0051	Plant maintenance and operations	-	-	740 771
0053	Data processing services	-	-	76 586
0061	Community services	-	9 664	21 924
0081	Capital outlay	-	-	52 815
6030	TOTAL EXPENDITURES	<u>228 564</u>	<u>820 041</u>	<u>13 209 216</u>
1200	NET CHANGE IN FUND BALANCES	34 581	28 463	(139 277)
0100	Fund balances - Beginning	<u>183 700</u>	<u>431 281</u>	<u>2 223 496</u>
3000	FUND BALANCES - ENDING	<u>\$ 218 281</u>	<u>\$ 459 744</u>	<u>\$ 2 084 219</u>

See independent auditors' report.

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, 2020

LAST 10 YEARS ENDED AUGUST 31,	(1) (2) TAX RATES		(3) ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES	
	MAINTENANCE	DEBT SERVICE		
2011 and prior years	Various	Various	\$	Various
2012	1.0400	0.1650	\$	2 123 601 212
2013	1.0400	0.1700	\$	2 142 161 488
2014	1.0400	0.1617	\$	2 253 455 551
2015	1.0400	0.1730	\$	2 260 211 707
2016	1.1700	0.0430	\$	2 237 252 432
2017	1.1700	0.0430	\$	2 208 569 827
2018	1.1700	0.0430	\$	2 238 124 155
2019	1.1700	0.2800	\$	2 348 562 069
2020 (School year under audit)	1.0683	0.2500	\$	2 512 784 040
TOTALS				

See independent auditor's report.

EXHIBIT J-1

(10) BEGINNING BALANCE 09/01/2019	(20) CURRENT YEAR'S TOTAL LEVY	(31) MAINTENANCE COLLECTIONS	(32) DEBT SERVICE COLLECTIONS	(40) ENTIRE YEAR'S ADJUSTMENTS	(50) ENDING BALANCE 08/31/2020
\$ 403 804	\$ -	\$ 16 161	\$ 1 842	\$ (10 343)	\$ 375 458
80 329	-	3 867	613	(885)	74 964
94 797	-	8 069	1 309	(596)	84 823
138 751	-	9 414	1 510	(409)	127 418
154 226	-	16 285	2 707	(1 633)	133 601
196 859	-	27 172	995	(1 926)	166 766
255 677	-	44 560	1 636	(5 599)	203 882
361 474	-	72 300	2 648	(14 811)	271 715
819 091	-	242 767	57 759	(71 639)	446 926
-	33 126 032	26 111 579	6 107 497	(229 428)	677 528
<u>\$ 2 505 008</u>	<u>\$ 33 126 032</u>	<u>\$ 26 552 174</u>	<u>\$ 6 178 516</u>	<u>\$ (337 269)</u>	<u>\$ 2 563 081</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended August 31, 2020

EXHIBIT J-2

DATA CONTROL CODES		1	2	3	4
		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 325 600	\$ 325 600	\$ 198 952	\$ (126 648)
5800	State program revenues	25 000	25 000	162 730	137 730
5900	Federal program revenues	4 244 737	4 244 737	3 822 392	(422 345)
5020	TOTAL REVENUES	<u>4 595 337</u>	<u>4 595 337</u>	<u>4 184 074</u>	<u>(411 263)</u>
	Expenditures:				
	Current:				
0035	Food services	4 595 337	4 556 180	4 365 703	190 477
0051	Plant maintenance and operations	-	39 157	21 125	18 032
6030	TOTAL EXPENDITURES	<u>4 595 337</u>	<u>4 595 337</u>	<u>4 386 828</u>	<u>208 509</u>
1200	NET CHANGE IN FUND BALANCE	-	-	(202 754)	(202 754)
0100	Fund balance - Beginning	<u>1 608 455</u>	<u>1 608 455</u>	<u>1 608 455</u>	-
3000	FUND BALANCE - ENDING	<u>\$ 1 608 455</u>	<u>\$ 1 608 455</u>	<u>\$ 1 405 701</u>	<u>\$ (202 754)</u>

See independent auditor's report.

LUFKIN INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2020

EXHIBIT J-3

DATA CONTROL CODES		1	2	3	4
		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 6 154 563	\$ 6 154 563	\$ 6 266 278	\$ 111 715
5800	State program revenues	392 043	392 043	512 611	120 568
5020	TOTAL REVENUES	<u>6 546 606</u>	<u>6 546 606</u>	<u>6 778 889</u>	<u>232 283</u>
	Expenditures:				
0071	Debt services	6 540 918	7 290 918	7 271 333	19 585
6030	TOTAL EXPENDITURES	<u>6 540 918</u>	<u>7 290 918</u>	<u>7 271 333</u>	<u>19 585</u>
1100	EXCESS REVENUE OVER EXPENDITURES	<u>5 688</u>	<u>(744 312)</u>	<u>(492 444)</u>	<u>251 868</u>
	Other Financing Sources (Uses):				
7916	Premium on bond issue	-	706 389	706 389	-
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>706 389</u>	<u>706 389</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCE	5 688	(37 923)	213 945	251 868
0100	Fund balance - Beginning	<u>14 956</u>	<u>14 956</u>	<u>14 956</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 20 644</u>	<u>\$ (22 967)</u>	<u>\$ 228 901</u>	<u>\$ 251 868</u>

See independent auditor's report.

LUFKIN INDEPENDENT SCHOOL DISTRICT
 CAPITAL PROJECT FUND
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended August 31, 2020

EXHIBIT J-4

DATA CONTROL CODES		1	2	3	4
		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ -	\$ -	\$ 594 502	\$ 594 502
5020	TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>594 502</u>	<u>594 502</u>
	Expenditures:				
0081	Facilities acquisition and construction	40 089 364	80 448 364	11 137 503	69 310 861
6030	TOTAL EXPENDITURES	<u>40 089 364</u>	<u>80 448 364</u>	<u>11 137 503</u>	<u>69 310 861</u>
1100	EXCESS REVENUE OVER EXPENDITURES	<u>(40 089 364)</u>	<u>(80 448 364)</u>	<u>(10 543 001)</u>	<u>69 905 363</u>
	Other Financing Sources (Uses):				
7911	Issuance of bonds	-	-	24 435 000	24 435 000
8949	Other uses	<u>-</u>	<u>-</u>	<u>1 065 000</u>	<u>1 065 000</u>
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>25 500 000</u>	<u>25 500 000</u>
1200	NET CHANGE IN FUND BALANCE	(40 089 364)	(80 448 364)	14 956 999	95 405 363
0100	Fund balance - Beginning	<u>39 362 070</u>	<u>39 362 070</u>	<u>39 362 070</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ (727 294)</u>	<u>\$ (41 086 294)</u>	<u>\$ 54 319 069</u>	<u>\$ 95 405 363</u>

See independent auditor's report.

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

Board of Trustees
Lufkin Independent School District
Lufkin, Texas

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lufkin Independent School District as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated January 21, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Lufkin, Texas
January 21, 2021


CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees
Lufkin Independent School District
Lufkin, Texas

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Lufkin Independent School District's compliance with the types of compliance requirements described in the *Uniform Guidance* that could have a direct and material effect on each of Lufkin Independent School District's major federal programs for the year ended August 31, 2020. Lufkin Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Lufkin Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

Report on Internal Control Over Compliance

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

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

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

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


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
January 21, 2021

LUFKIN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended August 31, 2020

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

Material control over major programs:

Material weakness(es) identified? Yes No

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

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.334	Gaining Early Awareness for Undergraduate Program
84.425	Elementary and Secondary School Emergency Relief

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

Auditee qualified as low-risk auditee? Yes No

B. SECTION II - Financial Statement Findings

NONE

C. SECTION III - Federal Award Findings and Questioned Costs

NONE

LUFKIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2020

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2020

None

LUFKIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2020

EXHIBIT K-1

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	(2) FEDERAL CFDA NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) FEDERAL EXPENDITURES
Child Nutrition Cluster			
U.S. Department of Agriculture:			
Passed Through Texas Education Agency:			
School Breakfast Program	10.553	71401901	\$ 242 612
School Breakfast Program	10.553	71402001	666 642
National School Breakfast Program	10.555	71301901	624 609
National School Breakfast Program	10.555	71302001	1 687 093
Passed Through Texas Department of Agriculture:			
Food Distribution (Non-cash)	10.555	00011	333 017
Summer Food Service Program	10.559	00011	365 074
TOTAL CHILD NUTRITION CLUSTER			<u>3 919 047</u>
Forest Service Schools and Road Cluster			
U.S. Department of Agriculture:			
Passed Through Angelina County:			
Schools and Roads - Grants to Counties	10.666	N/A	9 917
TOTAL FOREST SERVICE SCHOOLS AND ROADS CLUSTER			<u>9 917</u>
Special Education (IDEA) Cluster			
U.S. Department of Education:			
Passed Through Texas Education Agency:			
IDEA - Part B, Discretionary	84.027	206600110039036000	1 355 309
IDEA - Part B Formula	84.027	196600010039036000	147 220
IDEA - Part B Preschool	84.173	206610010039036000	1 633
TOTAL SPECIAL EDUCATION (IDEA) CLUSTER			<u>1 504 162</u>
Other Programs			
U.S. Department of Education:			
Passed Through Texas Education Agency:			
ESEA, Title I, Part A - Improving Basic Programs	84.010	20610101003903	2 163 113
ESEA, Title I, Part A - Improving Basic Programs	84.010	19610103003903	226 958
ESEA, Title I, Part D, Subpart 2 - Delinquent Programs	84.010	20610103003903	25 087
Title IV, Part A, Subpart 1	84.424	20680101003903	41 566
Career and Technical - Basic Grant	84.048	20420006003903	68 334
Career and Technical - Basic Grant	84.048	19420006003903	52 138
Title III, Part A - English Language Acquisition & Language Enhancement	84.365	20671001003903	131 008
ESEA, Title II, Part A - Teacher & Principal Training & Recruiting	84.367	20694501003903	275 584
LEP Summer School	84.369	69551802	5 343
Elementary and Secondary School Emergency Relief	84.425		1 965 612
Passed Through Stephen F. Austin State University:			
GEAR UP	84.334	P334A110173-15	946 932
Special Education - Grants for Infants and Families	84.181	203911010039033000	246
Rural Education	84.358	20696001003903	121 527
TOTAL DEPARTMENT OF EDUCATION			<u>6 023 448</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 11 456 574</u>
Reconciliation to Exhibit C-2:			
Total per Exhibit K-1			\$ 11 456 574
Other Federal Revenue:			
School Health and Related Services (SHARS)	93.990	N/A	447 942
Medicare Reimbursement (MAC)	93.778	N/A	17 663
Erate	32.000	N/A	421 592
TOTAL FEDERAL REVENUE PER EXHIBIT C-2			<u>\$ 12 343 771</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, 2020

Basis of Presentation

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

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED
 SCHOOL FIRST INDICATORS
 As of August 31, 2020

Exhibit K-2

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 debt agreement at fiscal year end?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF4	Was the school district 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 Administration Code and other statutes, laws, rules that were in effect at the school district 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.	\$ N/A