

LUFKIN INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2016

Introductory Section

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Lufkin Independent School District
Annual Financial Report
For The Year Ended August 31, 2016

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CERTIFICATE OF BOARD

Lufkin Independent School District
Name of School District

Angelina
County

003-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2016, at a meeting of the board of trustees of such school district on the 19th day of January, 2017.



Signature of Board Secretary



Signature of Board President

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

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Financial Section

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

Wilbur E. Alexander, CPA
(1940 - 2009)

AL&H ALEXANDER LANKFORD & HIERS, INC.

Certified Public Accountants, A Professional Corporation
4000 S. Medford Dr., Lufkin, Texas 75901-5500
(936) 632-7771, FAX (936) 637-2448
E-mail: alh@consolidated.net Website: www.alhcpa.com

Yvette Sidnell, CPA
Jennifer L. Webster, CPA
Kimber R. Jones, CPA
Susan L. Murrell, CPA

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lufkin Independent School District ("the District") as of and for the year ended August 31, 2016, 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 of material misstatement.

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

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

Independent Auditor's Report - Continued

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lufkin Independent School District as of August 31, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions on pages 5-12 and 39-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lufkin Independent School District's basic financial statements. The combining nonmajor fund financial statements and the introductory and other supplementary information sections, which includes 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 combining nonmajor fund financial statements and 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 combining nonmajor fund financial statements and the introductory and other supplementary information sections, including the schedule of expenditures of federal awards, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Independent Auditor's Report - Continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2017 on our consideration of Lufkin Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lufkin Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Alexander, Lankford & Hiers, Inc.

Lufkin, Texas
January 10, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Lufkin Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2016. 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 \$43,954,757 at August 31, 2016.

During the year, the District's expenses were \$2,681,911 less than the \$84,610,617 generated in taxes and other revenues for governmental activities. The total cost of the District's programs was \$6,634,068 more than last year; however, no programs were added this year.

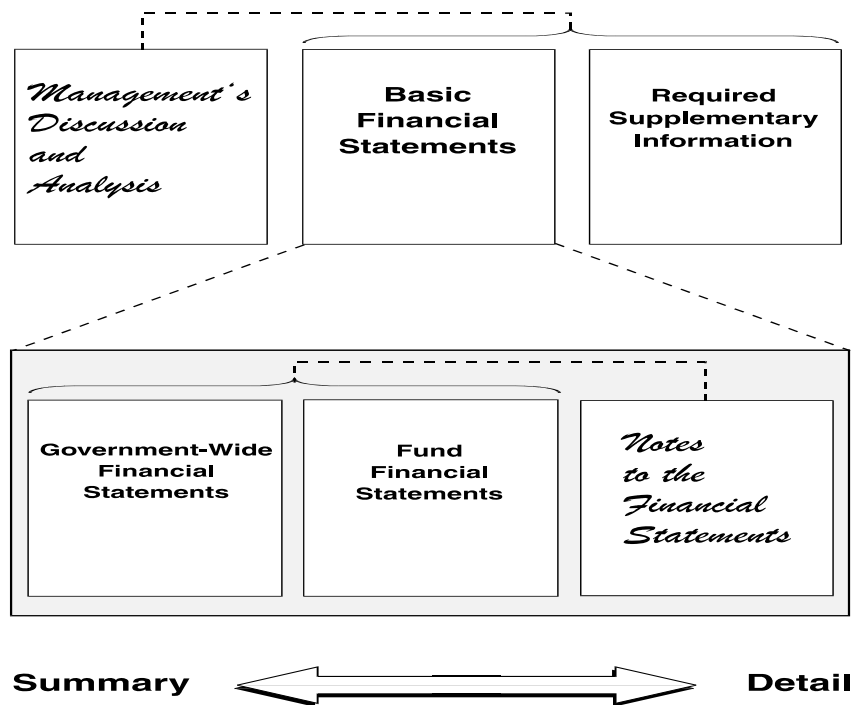
As of the close of the current fiscal year, the District's general fund reported a fund balance of \$26,072,133, an increase of \$4,110,537 in comparison with the prior year.

The District's total debt decreased by \$2,051,050 (four percent) during the fiscal year. The key factor in this decrease was the retirement of bonds payable and the issuance of capital leases.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Figure A-1



MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

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

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

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

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

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

Figure A-2

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

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

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

GOVERNMENT-WIDE STATEMENTS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

GOVERNMENT-WIDE STATEMENTS - CONTINUED

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

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

The District has the following types of funds:

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$43,954,757 at August 31, 2016. (See Table A-1)

Table A-1

	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 33,931,268	\$ 30,408,418
Capital and non-current assets	74,343,781	76,148,859
Total assets	<u>108,275,049</u>	<u>106,557,277</u>
Deferred outflows of resources	<u>7,796,730</u>	<u>2,569,703</u>
Total deferred outflows of resources	<u>7,796,730</u>	<u>2,569,703</u>
Other liabilities	4,557,866	6,913,326
Long term liabilities	<u>66,481,474</u>	<u>58,791,206</u>
Total liabilities	<u>71,039,340</u>	<u>65,704,532</u>
Deferred inflows of resources	<u>1,077,682</u>	<u>2,149,602</u>
Total deferred inflows of resources	<u>1,077,682</u>	<u>2,149,602</u>
Net position:		
Net investment in capital assets	25,443,291	25,864,871
Restricted	1,792,259	2,388,720
Unrestricted	<u>16,719,207</u>	<u>13,019,255</u>
Total net position	<u>\$ 43,954,757</u>	<u>\$ 41,272,846</u>

The restricted net position reflects balances of \$771,026, \$22,942, \$504,290, and \$166,559 for grant programs, debt service, capital projects, and campus activities, respectively. The remaining \$327,442 is restricted for other purposes. The \$16,719,207 of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in net position. The District's total revenues were \$84,610,617. A significant portion, thirty-two percent, of the District's revenue comes from taxes. Forty-five percent comes from state aid, while only one percent relates to charges for services.

The total cost of all programs and services was \$81,928,706, and fifty-five percent of these costs are for instruction, instructional resources and media services.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

GOVERNMENTAL ACTIVITIES

The \$7,004,683 net increase in revenues is primarily a result of increases in operating grants and contributions, state aid, and miscellaneous revenues of \$2,457,125, \$3,701,897, and \$939,609, respectively.

	<u>2016</u>	<u>2015</u>
Program revenues:		
Charges for services	\$ 1,221,432	\$ 1,285,313
Operating grants and contributions	15,888,880	13,431,755
Capital grants and contributions	79,287	
General revenues:		
Property taxes	27,465,417	27,531,057
State aid	38,072,321	34,370,424
Investment earnings	87,717	131,431
Miscellaneous revenues	1,795,563	855,954
	<u>84,610,617</u>	<u>77,605,934</u>
Expenses:		
Instruction, instructional resources and media services	44,618,551	40,854,557
Curriculum and staff development	2,750,460	2,374,707
Instructional leadership	1,704,616	1,713,893
School leadership	4,415,081	3,954,835
Guidance, counseling and evaluation services	2,378,297	2,208,611
Social work services	145,414	131,039
Health services	862,361	782,601
Student transportation	2,370,969	2,615,178
Food service	5,019,557	4,768,619
Cocurricular/extracurricular activities	2,075,915	1,984,610
General administration	2,386,969	2,011,888
Plant maintenance and operations	7,387,146	7,219,292
Security and monitoring services	732,801	623,217
Data processing services	2,199,702	1,200,269
Community services	47,584	45,823
Debt service	2,079,276	2,088,971
Payments to shared service arrangements	269,032	242,624
Other intergovernmental charges	484,975	473,904
	<u>81,928,706</u>	<u>75,294,638</u>
Change in net position	2,681,911	2,311,296
Net position, beginning of year	41,272,846	45,668,012
Cumulative effect of change in accounting principle		(7,961,701)
Correction of an error		1,255,239
		<u>38,961,550</u>
Net position, beginning - as restated		<u>38,961,550</u>
Net position, ending	<u>\$ 43,954,757</u>	<u>\$ 41,272,846</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

GOVERNMENTAL ACTIVITIES - CONTINUED

The increase of \$6,634,068 in expenses from the prior year is primarily due to increases in instruction, instructional resources and media services, curriculum and staff development, school leadership, and data processing services of \$3,763,994, \$375,753, \$460,246, and \$999,433, respectively. The increases in instruction, instructional resources and media services and school leadership are due to salary increases and pension expense increase. The increase in curriculum and staff development is primarily due to resources being allocated for staff development technology training, reclassification of employees from function 21 to function 13 and increased pension expense. The data processing services increase is a result of e-rate revenue and goods received in fiscal year 2016.

The cost of all governmental activities this year was \$81,928,706. However, the amount that our taxpayers paid for these activities through property taxes was only \$27,465,417. Those who directly benefitted from the programs paid \$1,221,432 and grants and contributions paid \$15,968,167.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$27,864,392. Less than one percent of the total or \$70,372 is considered nonspendable because it is not in spendable form. Six percent or \$1,740,019 of this total is restricted due to external limitations on its use. These uses include federal and state programs of \$718,786, capital acquisitions of \$504,290, retirement of debt of \$22,942 and other purposes of \$494,001. Twenty-three percent or \$6,436,815 has been assigned, meaning there are limitations resulting from its intended use. The assigned uses include \$100,000 for capital expenditures and \$6,336,815 for payment of debt service resulting from the tax ratification election. The remaining seventy percent or \$19,617,186 is unassigned.

The District's governmental funds total fund balance increased by \$3,514,076 from the preceding year. This increase is primarily due to increased revenues and the issuance of capital leases.

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 \$19,617,186, while total fund balance was \$26,072,133. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents thirty percent of total general fund expenditures, while total fund balance represents forty percent of that same amount.

Revenues from governmental fund types totaled \$82,866,154, an increase of \$5,188,500 or seven percent over the preceding year. This increase is primarily due to an increase in state program revenues of \$4,091,852 as a result of the revenues received from the passage of the tax ratification election that was a tax swap and moved 13 cents from I&S revenue to M&O revenue in the tax rate.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS - CONTINUED

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget twelve times. Differences between the original and final amended budgets were significant for revenues and expenditures (\$5,350,493 increase in projected revenues and \$4,310,528 increase in projected expenditures). The increase in projected revenues was primarily due to increases in local revenues of \$2,873,042 and state program revenues of \$2,477,451. The increase in projected expenditures was the result of increases in student (pupil) transportation of \$980,060 and plant maintenance and operations of \$2,912,904.

Differences between actual results and the final amended budget were significant for revenues and expenditures (\$1,057,167 increase in actual revenues and \$3,016,348 decrease in actual expenditures). The increase in actual revenues is due to increases of \$526,219 and \$536,547 in local and state revenues, respectively. The increases in local and state revenues were due to receiving e-rate revenue in either actual funds or in goods and services and donations and fundraisers. The decrease in actual expenditures is primarily due to a decrease in plant maintenance and operations expenditures of \$3,560,000 which was a result of budgeted revenues from the TRE revenue to be used for improvements. The expenditures were not realized due to the planning required for the improvements and will be budgeted for in the 16-17 school year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had invested \$74,343,781 in a broad range of capital assets, including land, buildings, vehicles, and equipment. (See Table A-3). This amount represents a net decrease (including additions and deductions) of \$1,805,078 or two percent over last year.

Table A-3

DISTRICT'S CAPITAL ASSETS

	<u>2016</u>	<u>2015</u>
Land	\$ 1,956,778	\$ 1,956,778
Buildings and improvements	118,624,256	118,558,541
Furniture and equipment	15,310,659	14,233,403
Construction in progress	184,859	
Totals at historical cost	136,076,552	134,748,722
Total accumulated depreciation	<u>(61,732,771)</u>	<u>(58,599,863)</u>
Net capital assets	<u>\$ 74,343,781</u>	<u>\$ 76,148,859</u>

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

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED

Long Term Debt

At year end the District had \$51,999,584 of bonds and capital leases outstanding as shown in Table A-4. More detailed information about the District’s debt is presented in the notes to the financial statements.

Table A-4 **DISTRICT’S LONG-TERM DEBT**

	<u>2016</u>	<u>2015</u>
Leases payable	\$ 1,047,806	\$ 438,693
Bonds payable	<u>50,951,778</u>	<u>53,611,941</u>
Total bonds payable	<u>\$ 51,999,584</u>	<u>\$ 54,050,634</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

Appraised value used for the 2017 budget preparation is down 2.35% from 2016.

General operating fund spending per student increased/decreased in the 2017 budget from \$8,235 to \$8,333. This is an increase of 1.19 % from 2016.

The District’s 2017 refined average daily attendance is expected to remain basically the same as 2016. The student population has shown no significant growth for the past few years.

These indicators were taken into account when adopting the general fund budget for 2017. Amounts available for appropriation in the General Fund budget are \$63,327,649, a decrease of eight percent over the final 2016 budget of \$68,678,142.

If these estimates are realized, the District’s budgetary general fund balance is expected to not change at the close of 2017.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

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

Basic Financial Statements

This page is left blank intentionally.

LUFKIN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2016

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 28,204,469
1225	<i>Property Taxes Receivable (Net)</i>	1,586,892
1240	<i>Due from Other Governments</i>	3,751,337
1290	<i>Other Receivables (Net)</i>	318,198
1300	<i>Inventories</i>	63,935
1410	<i>Prepaid Items</i>	6,437
Capital Assets:		
1510	<i>Land</i>	1,956,778
1520	<i>Buildings and Improvements, Net</i>	67,270,966
1530	<i>Furniture and Equipment, Net</i>	4,931,178
1580	<i>Construction in Progress</i>	184,859
1000	Total Assets	<u>108,275,049</u>
DEFERRED OUTFLOWS OF RESOURCES:		
1701	<i>Deferred Charge on Refunding</i>	756,762
1705	<i>Deferred Outflows Related to Pensions</i>	7,039,968
1700	Total Deferred Outflows of Resources	<u>7,796,730</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	943,748
2140	<i>Interest Payable</i>	77,882
2165	<i>Accrued Liabilities</i>	3,478,664
2300	<i>Unearned Revenue</i>	57,572
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	2,711,644
2502	<i>Due in More Than One Year</i>	49,287,940
2540	<i>Net Pension Liability</i>	14,481,890
2000	Total Liabilities	<u>71,039,340</u>
DEFERRED INFLOWS OF RESOURCES:		
2605	<i>Deferred Inflows Related to Pensions</i>	1,077,682
2600	Total Deferred Inflows of Resources	<u>1,077,682</u>
NET POSITION:		
3200	Net Investment in Capital Assets	25,443,291
Restricted For:		
3820	State and Federal Programs	771,026
3850	Debt Service	22,942
3860	Capital Projects	504,290
3870	Campus Activities	166,559
3890	Other Purposes	327,442
3900	Unrestricted	16,719,207
3000	Total Net Position	<u>\$ 43,954,757</u>

The accompanying notes are an integral part of this statement.

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LUFKIN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Functions/Programs	1 Expenses	3 Charges for Services	4 Program Revenues		5 Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
				Operating Grants and Contributions	Capital Grants and Contributions		
	Governmental Activities:						
11	Instruction	\$ 43,745,615	\$ 461,036	\$ 7,017,094	\$ --	\$ (36,267,485)	
12	Instructional Resources and Media Services	872,936	58,348	67,102	--	(747,486)	
13	Curriculum and Staff Development	2,750,460	9,647	1,334,543	--	(1,406,270)	
21	Instructional Leadership	1,704,616	8,840	378,423	--	(1,317,353)	
23	School Leadership	4,415,081	37,453	360,792	--	(4,016,836)	
31	Guidance, Counseling, & Evaluation Services	2,378,297	13,684	316,849	--	(2,047,764)	
32	Social Work Services	145,414	484	75,613	--	(69,317)	
33	Health Services	862,361	4,884	94,807	--	(762,670)	
34	Student Transportation	2,370,969	14,847	162,310	--	(2,193,812)	
35	Food Service	5,019,557	455,754	4,252,554	79,287	(231,962)	
36	Cocurricular/Extracurricular Activities	2,075,915	78,302	130,475	--	(1,867,138)	
41	General Administration	2,386,969	12,162	157,534	--	(2,217,273)	
51	Plant Maintenance and Operations	7,387,146	45,282	435,625	--	(6,906,239)	
52	Security and Monitoring Services	732,801	4,440	56,932	--	(671,429)	
53	Data Processing Services	2,199,702	13,361	100,310	--	(2,086,031)	
61	Community Services	47,584	1,253	11,766	--	(34,565)	
72	Interest on Long-term Debt	2,074,870	--	926,526	--	(1,148,344)	
73	Bond Issuance Costs and Fees	4,406	--	--	--	(4,406)	
93	Payments Related to Shared Services Arrangements	269,032	1,655	9,625	--	(257,752)	
99	Other Intergovernmental Charges	484,975	--	--	--	(484,975)	
TG	Total Governmental Activities	81,928,706	1,221,432	15,888,880	79,287	(64,739,107)	
TP	Total Primary Government	\$ 81,928,706	\$ 1,221,432	\$ 15,888,880	\$ 79,287	(64,739,107)	
	General Revenues:						
MT	Property Taxes, Levied for General Purposes					26,462,665	
DT	Property Taxes, Levied for Debt Service					1,002,752	
IE	Investment Earnings					87,717	
GC	Grants and Contributions Not Restricted to Specific Programs					38,072,321	
MI	Miscellaneous					1,795,563	
TR	Total General Revenues					67,421,018	
CN	Change in Net Position					2,681,911	
NB	Net Position - Beginning					41,272,846	
NE	Net Position - Ending					\$ 43,954,757	

The accompanying notes are an integral part of this statement.

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LUFKIN INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2016

Data Control Codes	10 General Fund	Title I, Part A - Improving Basic Programs	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 26,945,609	\$ --	\$ 1,258,860	\$ 28,204,469
1225	Taxes Receivable, Net	1,441,986	--	144,906	1,586,892
1240	Due from Other Governments	1,725,338	868,758	1,157,241	3,751,337
1260	Due from Other Funds	1,435,536	--	607,079	2,042,615
1290	Other Receivables	309,886	--	8,312	318,198
1300	Inventories	11,695	--	52,240	63,935
1410	Prepaid Items	6,437	--	--	6,437
1000	Total Assets	<u>31,876,487</u>	<u>868,758</u>	<u>3,228,638</u>	<u>35,973,883</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 550,147	\$ 44,807	\$ 348,794	\$ 943,748
2160	Accrued Wages Payable	3,147,570	146,026	185,068	3,478,664
2170	Due to Other Funds	607,079	677,925	757,611	2,042,615
2300	Unearned Revenue	57,572	--	--	57,572
2000	Total Liabilities	<u>4,362,368</u>	<u>868,758</u>	<u>1,291,473</u>	<u>6,522,599</u>
DEFERRED INFLOWS OF RESOURCES:					
	Unavailable Property Tax Revenue	1,441,986	--	144,906	1,586,892
2600	Total Deferred Inflows of Resources	<u>1,441,986</u>	<u>--</u>	<u>144,906</u>	<u>1,586,892</u>
FUND BALANCES:					
Nonspendable Fund Balances:					
3410	Inventories	11,695	--	52,240	63,935
3430	Prepaid Items	6,437	--	--	6,437
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	718,786	718,786
3470	Capital Acquisitions & Contractual Obligations	--	--	504,290	504,290
3480	Retirement of Long-Term Debt	--	--	22,942	22,942
3490	Other Restrictions of Fund Balance	--	--	494,001	494,001
Assigned Fund Balances:					
3570	Capital Expenditures for Equipment	100,000	--	--	100,000
3590	Other Assigned Fund Balance	6,336,815	--	--	6,336,815
3600	Unassigned	19,617,186	--	--	19,617,186
3000	Total Fund Balances	<u>26,072,133</u>	<u>--</u>	<u>1,792,259</u>	<u>27,864,392</u>
4000	Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 31,876,487</u>	<u>\$ 868,758</u>	<u>\$ 3,228,638</u>	<u>\$ 35,973,883</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, 2016

Total fund balances - governmental funds balance sheet	\$ 27,864,392
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.	74,343,781
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,586,892
Payables for bond principal which are not due in the current period are not reported in the funds.	(47,852,684)
Payables for capital leases which are not due in the current period are not reported in the funds.	(1,047,806)
Payables for accrued interest which are not due in the current period are not reported in the funds.	(77,882)
The deferred charge for refunding is not recorded in the funds.	756,762
The District's proportionate share of the collective net pension liability is not reported in the funds.	(14,481,890)
The District's proportionate share of collective deferred inflows of resources related to pension plans are not reported in the funds.	(1,077,682)
The District's proportionate share of collective deferred outflows of resources related to pension plans are not reported in the funds.	7,039,968
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(740,128)
Bond premiums are amortized in the SNP but not in the funds.	<u>(2,358,966)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 43,954,757</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, 2016

Data Control Codes	10 General Fund	Title I, Part A - Improving Basic Programs	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 28,028,336	\$ --	\$ 2,464,863	\$ 30,493,199
5800 State Program Revenues	41,079,072	--	1,460,366	42,539,438
5900 Federal Program Revenues	627,901	2,479,331	6,726,285	9,833,517
5020 Total Revenues	<u>69,735,309</u>	<u>2,479,331</u>	<u>10,651,514</u>	<u>82,866,154</u>
EXPENDITURES:				
Current:				
0011 Instruction	36,178,047	1,315,885	2,780,974	40,274,906
0012 Instructional Resources and Media Services	754,935	4,389	52,916	812,240
0013 Curriculum and Staff Development	1,339,207	919,158	245,511	2,503,876
0021 Instructional Leadership	1,316,071	92,511	158,891	1,567,473
0023 School Leadership	3,980,214	--	84,534	4,064,748
0031 Guidance, Counseling, & Evaluation Services	2,056,582	54,654	71,056	2,182,292
0032 Social Work Services	65,092	65,954	--	131,046
0033 Health Services	738,924	--	56,928	795,852
0034 Student Transportation	3,110,132	--	415	3,110,547
0035 Food Service	--	--	4,823,234	4,823,234
0036 Cocurricular/Extracurricular Activities	1,769,162	26,780	178,333	1,974,275
0041 General Administration	2,222,555	--	744	2,223,299
0051 Plant Maintenance and Operations	7,022,411	--	9,345	7,031,756
0052 Security and Monitoring Services	678,099	--	4,965	683,064
0053 Data Processing Services	2,092,213	--	--	2,092,213
0061 Community Services	25,650	--	20,007	45,657
0071 Principal on Long-term Debt	317,048	--	1,992,611	2,309,659
0072 Interest on Long-term Debt	16,621	--	2,692,209	2,708,830
0073 Bond Issuance Costs and Fees	--	--	4,406	4,406
0081 Facilities Acquisition and Construction	184,859	--	--	184,859
0093 Payments to Shared Service Arrangements	269,032	--	--	269,032
0099 Other Intergovernmental Charges	484,975	--	--	484,975
6030 Total Expenditures	<u>64,621,829</u>	<u>2,479,331</u>	<u>13,177,079</u>	<u>80,278,239</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	5,113,480	--	(2,525,565)	2,587,915
Other Financing Sources and (Uses):				
7913 Issuance of Capital Leases	926,161	--	--	926,161
7915 Transfers In	--	--	1,929,104	1,929,104
8911 Transfers Out	(1,929,104)	--	--	(1,929,104)
7080 Total Other Financing Sources and (Uses)	<u>(1,002,943)</u>	<u>--</u>	<u>1,929,104</u>	<u>926,161</u>
1200 Net Change in Fund Balances	4,110,537	--	(596,461)	3,514,076
0100 Fund Balances - Beginning	21,961,596	--	2,388,720	24,350,316
3000 Fund Balances - Ending	<u>\$ 26,072,133</u>	<u>\$ --</u>	<u>\$ 1,792,259</u>	<u>\$ 27,864,392</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, 2016*

Net change in fund balances - total governmental funds	\$ 3,514,076
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,327,830
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,132,908)
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.	76,930
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,992,611
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	317,048
The deferred charge on refunding is amortized in the SOA but not in the funds.	(34,398)
The accretion of interest on capital appreciation bonds is not reported in the funds.	498,782
Amount represents the (increase) decrease in accrued interest from beginning of period to end of period.	806
Bond premiums are amortized in the SOA but not in the funds.	168,770
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(926,161)
Pension contributions made after the measurement date, August 31, 2015, are required to be reported as deferred outflows of resources in the SOA.	1,263,147
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized in the SOA.	442,067
The District's recognition of its proportionate share of collective pension expense is recorded in the SOA but not in the funds.	(2,826,689)
Change in net position of governmental activities - Statement of Activities	<u>\$ 2,681,911</u>

The accompanying notes are an integral part of this statement.

LUFKIN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2016

Data Control Codes		Agency Funds
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 232,448
1000	Total Assets	<u>232,448</u>
	LIABILITIES:	
	Current Liabilities:	
2190	<i>Due to Student Groups</i>	<u>232,448</u>
2000	Total Liabilities	<u>232,448</u>
	NET POSITION:	
3000	Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

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LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

Title I, Part A - Improving Basic Programs Fund: This fund is used to account for funds allocated to the District to enable the District to provide opportunities for children served to acquire the knowledge and skills contained in content standards and meet the performance standards.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

In addition, the District reports the following fund types:

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Property Taxes

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The allowance for uncollectible property taxes was \$679,954 at August 31, 2016.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

b. Inventories and Prepaid Items

Inventories of supplies and food on the balance sheet are stated at cost using the first-in, first-out method. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food is used only in the food service program.

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

c. Capital Assets

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

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

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

d. Deferred Outflows and Inflows of Resources

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

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

For the year ended August 31, 2016, the District has items that qualify for reporting as deferred outflows of resources and deferred inflows of resources. The District reports the deferred outflows and inflows related to the TRS net pension liability only on the government-wide Statement of Net Position. Those items are detailed in Note I. On the governmental funds balance sheet, the unavailable property tax revenue is reported as a deferred inflow of resources. This revenue is recognized in the period in which the revenue becomes available.

e. Receivable and Payable Balances

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

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

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

f. Interfund Activity

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

g. Use of Estimates

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

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

j. Net Position Flow Assumption

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

k. Fund Balance Flow Assumptions

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

4. Pensions

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Violation	Action Taken
Total expenditures in the National School Breakfast and Lunch Program exceeded the budget by \$204,522.	The District is reviewing their processes for ordering and entering purchase orders/invoices for this program. The food service director and the finance department will closely monitor the budget.

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

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

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

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, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$28,426,026 and the bank balance was \$29,092,804. The District's cash deposits at August 31, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the pledging financial institution's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, 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 determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

At August 31, 2016 the District did not have any investments.

D. Capital Assets

Capital asset activity for the year ended August 31, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,956,778	\$ --	\$ --	\$ 1,956,778
Construction in progress	--	184,859	--	184,859
Total capital assets not being depreciated	1,956,778	184,859	--	2,141,637
<i>Capital assets being depreciated:</i>				
Buildings and improvements	118,558,541	65,715	--	118,624,256
Furniture and equipment	14,233,403	1,077,256	--	15,310,659
Total capital assets being depreciated	132,791,944	1,142,971	--	133,934,915
Less accumulated depreciation for:				
Buildings and improvements	(49,048,332)	(2,304,958)	--	(51,353,290)
Furniture and equipment	(9,551,531)	(827,950)	--	(10,379,481)
Total accumulated depreciation	(58,599,863)	(3,132,908)	--	(61,732,771)
Total capital assets being depreciated, net	74,192,081	(1,989,937)	--	72,202,144
Governmental activities capital assets, net	\$ 76,148,859	\$ (1,805,078)	\$ --	\$ 74,343,781

LUFKIN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

Depreciation was charged to functions as follows:

Instruction	\$ 1,697,913
Instructional Resources and Media Services	34,243
Curriculum and Staff Development	105,559
Instructional Leadership	66,082
School Leadership	171,216
Guidance, Counseling, & Evaluation Services	92,002
Social Work Services	5,525
Health Services	33,552
Student Transportation	131,135
Food Services	203,339
Extracurricular Activities	83,232
General Administration	93,737
Plant Maintenance and Operations	296,447
Security and Monitoring Services	28,797
Data Processing Services	88,204
Community Services	1,925
	<u>\$ 3,132,908</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2016, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 677,925	Short-term advances
	Title I, Part A - Improving		
General Fund	Basic Programs	757,611	Short-term advances
Other Governmental Funds	General Fund	<u>607,079</u>	Short-term advances
	Total	<u>\$ 2,042,615</u>	

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

2. Transfers To and From Other Funds

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Other Governmental Funds	\$ 1,929,104	Pay debt service
	Total	<u>\$ 1,929,104</u>	

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

F. Due to/Due from Other Governments

Due from other governments consists of the following at August 31, 2016:

	General Fund	Title I, Part A - Improving Basic Programs	Other Governmental Funds	Total
Due from State - Days of instruction	\$ 1,662,059	\$ --	\$ --	\$ 1,662,059
Due from State - Foundation revenue	61,735	--	--	61,735
Due from State - Grant programs	1,544	868,758	1,136,099	2,006,401
Due from State - Foundation revenue - EDA	--	--	21,142	21,142
Total	\$ 1,725,338	\$ 868,758	\$ 1,157,241	\$ 3,751,337

At August 31, 2016, there were no amounts due to other governments.

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, 2016, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Series 2008 Bonds	\$ 3,947,328	\$ --	\$ (72,328)	\$ 3,875,000	\$ 355,000
Premium	50,447	--	(3,603)	46,844	3,603
Capital Appreciation Bonds - Accretion	248,810	33,862	(282,672)	--	--
Series 2009 Bonds	22,582,970	--	(65,283)	22,517,687	47,687
Premium	640,090	--	(26,671)	613,419	26,670
Capital Appreciation Bonds - Accretion	956,262	146,700	(599,717)	503,245	--
Series 2012 Bonds	5,880,000	--	--	5,880,000	--
Premium	161,999	--	(23,143)	138,856	23,143
Series 2014 Bonds	8,750,000	--	(1,790,000)	6,960,000	1,850,000
Premium	628,664	--	(69,851)	558,813	69,852
Series 2015 Bonds	8,684,997	--	(65,000)	8,619,997	65,000
Premium	1,046,536	--	(45,502)	1,001,034	45,501
Capital Appreciation Bonds - Accretion	33,838	203,045	--	236,883	--
Capital leases	438,693	926,161	(317,048)	1,047,806	225,188
Total governmental activities	\$ 54,050,634	\$ 1,309,768	\$ (3,360,818)	\$ 51,999,584	\$ 2,711,644

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

2. Bonds Payable

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

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

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

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

The Series 2015 Unlimited Tax Refunding Bonds were issued for \$8,859,997, which included capital appreciation bonds of \$114,997. The bonds were issued at a premium of \$1,046,536. Interest rates range from 1.50% to 4.25%. At August 31, 2016, \$8,860,000 of the defeased debt was still outstanding.

Debt service requirements on long-term debt at August 31, 2016, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 2,317,687	\$ 2,370,833	\$ 4,688,520
2018	2,653,453	2,015,155	4,668,608
2019	2,776,544	1,939,751	4,716,295
2020	3,220,000	1,501,770	4,721,770
2021	3,295,000	1,425,326	4,720,326
2022-2026	9,425,000	6,011,269	15,436,269
2027-2031	8,130,000	4,431,319	12,561,319
2032-2036	9,920,000	2,614,713	12,534,713
2037-2040	6,115,000	519,847	6,634,847
Totals	\$ 47,852,684	\$ 22,829,983	\$ 70,682,667

3. Capital Leases

In a prior fiscal year, the District entered into a capital lease with Regions Commercial Equipment Finance, LLC for the purchase of a scoreboard. The interest rate on this lease is 3.79%. In fiscal year 2016, the District entered into a capital lease with Citizens National Bank for the purchase of buses. The interest rate on this lease is 2.18%.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Furniture and equipment	\$ 1,309,952
Less: accumulated depreciation	(69,251)
Total	\$ 1,240,701

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of August 31, 2016, as follows:

<u>Year Ending August 31:</u>	
2017	\$ 253,079
2018	253,079
2019	253,079
2020	253,079
2021	59,410
2022	<u>59,410</u>
Total Minimum Rentals	1,131,136
Less amount representing interest	<u>(83,330)</u>
Present value of minimum lease payments	<u>\$ 1,047,806</u>

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

H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2016, the District participated in the Texas Association of Public Schools Property and Liability Fund (TAPS), a public entity risk pool, 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 pays an annual premium to TAPS for its property, automobile, and liability coverages. Members of TAPS have no known premium liability for coverages in excess of the annual premium. However, if the assets of TAPS were to be exhausted, members would be liable for their portion of TAPS' liabilities. This would indicate that 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. As of the most recent audit, TAPS has adequate assets to more than cover 100% of all liabilities.

The District is also a member of the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The District participates in the Workers' Compensation Program.

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 District participates in the Fund's reimbursable aggregate deductible program. As such, the District is responsible for a certain amount of claims liability as outlined on the District's Contribution and Coverage Summary document. After the District's deductible has been met, the Fund is responsible for additional claims liability. The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of \$2,000,000 million. The Fund uses the services of an independent actuary to determine the reserve adequacy and fully funds those reserves. As of August 31, 2015, the Fund carries a discounted reserve of \$58,364,320 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2016, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payments of contributions.

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, 2015 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

I. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS' defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The TRS 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

Detailed information about the TRS' fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

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

4. Contributions

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

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act established the employer contribution rates for fiscal years 2016 and 2017.

	Contribution Rates	
	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's Employer Contributions	\$ 1,213,100	\$ 1,263,147
District's Member Contributions	3,116,392	3,413,308
NECE On-Behalf Contributions	2,389,103	2,395,031

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

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

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

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

- When employing a retiree of the TRS 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.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

5. Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

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

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

Teacher Retirement System of Texas			
Asset Allocation and Long-Term Expected Real Rate of Return			
As of August 31, 2015			
	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflat. Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 net pension liability.

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
District's proportionate share of the net pension liability	\$ 22,690,392	\$ 14,481,890	\$ 7,644,718

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

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

At August 31, 2016, the District reported a liability of \$14,481,890 for its proportionate share of the TRS' 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	\$ 14,481,890
State's proportionate share of the net pension liability associated with the District	<u>28,512,444</u>
Total	<u>\$ 42,994,334</u>

The net pension liability was measured as of August 31, 2015 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, 2014 through August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0409687%, which was an increase (decrease) of 0.0146613% from its proportion measured as of August 31, 2014.

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

Economic Assumptions

- a. The inflation assumption was decreased from 3.00% to 2.50%.
- b. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- c. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- d. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

- e. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- f. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- g. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

- h. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

- i. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- j. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- k. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- l. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

- m. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the year ended August 31, 2016, the District recognized pension expense of \$4,062,564 and revenue of \$4,062,564 for support provided by the State. The District also recognized their proportionate share of pension expense of \$2,826,689.

At August 31, 2016, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 90,382	\$ 556,552
Changes in actuarial assumptions	379,878	516,650
Difference between projected and actual investment earnings	1,955,747	--
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	3,350,814	4,480
District contributions paid to TRS subsequent to the measurement date	1,263,147	--
Total	<u>\$ 7,039,968</u>	<u>\$ 1,077,682</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

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

Plan (Fiscal)Year Ended August 31,	Pension Expense Amount
2016 (2017)	\$ 834,923
2017 (2018)	834,923
2018 (2019)	834,923
2019 (2020)	1,371,862
2020 (2021)	474,584
Thereafter	347,924

J. Other Postemployment Benefits - Retiree Health Care Plan

1. TRS-Care

a. Plan Description

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

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts for fiscal years 2016 - 2014 are shown in the table below.

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	0.65%	\$ 308,153	1.00%	\$ 474,074	0.55%	\$ 260,740
2015	0.65%	302,339	1.00%	465,144	0.55%	255,822
2014	0.65%	296,938	1.00%	456,827	0.55%	251,255

For the years ended August 31, 2016 and 2015, the District paid the state contributions for salaries paid by federal grant funds which amounted to \$44,403 and \$41,569. For the fiscal years ended August 31, 2016 and 2015, and 2014, the amount received by TRS-Care on behalf of the District was \$429,671 and \$423,575, respectively.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$192,148, \$207,758, and \$125,271, respectively.

K. Employee Health Care Coverage

During the year ended August 31, 2016, employees of the District were covered by a health insurance plan (the Plan). The District is a member of TRS-ActiveCare, a state-wide health insurance coverage plan for public school employees. It was established by Chapter 1579, "Texas School Employees Uniform Health Coverage Act", of the Texas Insurance Code. Employees can choose from PPO plans administered by Aetna and Caremark.

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

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

L. Commitments and Contingencies

1. Construction Commitments

The District had commitments on its uncompleted construction contracts as of August 31, 2016 as follows:

Project	Contractor	Amount
Fencing and gym floors	J.E. Kingham Construction Co.	\$ 147,393
Fencing and gym floors	Goodwin Lasiter Strong	3,383
Lufkin Middle School paving	J.E. Kingham Construction Co.	1,149,115
Lufkin Middle School paving	Goodwin Lasiter Strong	17,581
Brandon Elementary paving	Goodwin Lasiter Strong	6,694
Tennis restroom/storage facility	Goodwin Lasiter Strong	15,470

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, 2016 are as follows:

Year Ending August 31,	
2017	\$ 103,943
2018	1,305
2019	762
Total	\$ 106,010

Rental expenditures for the District's copier lease totaled \$153,459.

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

3. Contingencies

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.

4. Litigation

No reportable litigation was pending against the District at August 31, 2016.

M. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for Shared Services Arrangements ("SSAs") which provide a Regional Day School program for the Deaf and Early College High School (ECHS) services to other local member districts. The Regional Day School for the Deaf serves twelve school districts and cooperatives while the ECHS serves the five school districts in Angelina County.

The SSAs are accounted for using Model 2 in the SSA section of TEA's Resource Guide. All services are provided by the fiscal agent. Funding for the Regional Day School for the Deaf SSA comes from federal and state grant programs directly to the fiscal agent while the funding for the ECHS SSA is from a local grant that came directly to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSAs in special revenue funds.

Shared Services Arrangement - Membership

The District participates in SSAs for Non-educational Community Based Support and 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 agents, the Region VII Service Center and Hudson ISD, nor does the District have a net equity interest in the fiscal agents. The fiscal agents are 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 managers are responsible for all financial activities of the SSAs.

N. Subsequent Events

In September 2016, the District issued Unlimited Tax Refunding Bonds, Series 2016, in the amount of \$9,194,999. Interest rates range from 2.00% to 4.00%. The bonds mature on August 15, 2025. The bonds were issued to refund portions of the Series 2008 and Series 2009 unlimited Tax School Building Bonds.

In November 2016, the District entered into two capital leases with Dell Financial Services for technology equipment. The total equipment costs under the leases are \$831,992 and \$68,000.

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Required Supplementary Information

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

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LUFKIN INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

Page 1 of 2

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			Actual	
	Original	Final			
REVENUES:					
5700	Local and Intermediate Sources	\$ 24,629,075	\$ 27,502,117	\$ 28,028,336	\$ 526,219
5800	State Program Revenues	38,065,074	40,542,525	41,079,072	536,547
5900	Federal Program Revenues	633,500	633,500	627,901	(5,599)
5020	Total Revenues	63,327,649	68,678,142	69,735,309	1,057,167
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	36,432,817	35,834,312	36,178,047	(343,735)
0012	Instructional Resources and Media Services	766,541	761,475	754,935	6,540
0013	Curriculum and Staff Development	1,344,513	1,385,063	1,339,207	45,856
	Total Instruction & Instr. Related Services	38,543,871	37,980,850	38,272,189	(291,339)
Instructional and School Leadership:					
0021	Instructional Leadership	1,376,239	1,367,890	1,316,071	51,819
0023	School Leadership	3,886,045	3,912,597	3,980,214	(67,617)
	Total Instructional & School Leadership	5,262,284	5,280,487	5,296,285	(15,798)
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	2,116,110	2,107,853	2,056,582	51,271
0032	Social Work Services	60,940	75,940	65,092	10,848
0033	Health Services	723,128	733,128	738,924	(5,796)
0034	Student (Pupil) Transportation	2,508,523	3,488,583	3,110,132	378,451
0036	Cocurricular/Extracurricular Activities	1,651,331	1,743,606	1,769,162	(25,556)
	Total Support Services - Student (Pupil)	7,060,032	8,149,110	7,739,892	409,218
Administrative Support Services:					
0041	General Administration	1,869,235	2,206,082	2,222,555	(16,473)
	Total Administrative Support Services	1,869,235	2,206,082	2,222,555	(16,473)
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	7,669,507	10,582,411	7,022,411	3,560,000
0052	Security and Monitoring Services	636,749	679,044	678,099	945
0053	Data Processing Services	1,205,334	1,388,353	2,092,213	(703,860)
	Total Support Services - Nonstudent Based	9,511,590	12,649,808	9,792,723	2,857,085
Ancillary Services:					
0061	Community Services	40,000	36,980	25,650	11,330
	Total Ancillary Services	40,000	36,980	25,650	11,330
Debt Service:					
0071	Principal on Long-Term Debt	292,715	292,715	317,048	(24,333)
0072	Interest on Long-Term Debt	--	--	16,621	(16,621)
	Total Debt Service	292,715	292,715	333,669	(40,954)
Facilities Acquisition and Construction:					
0081	Facilities Acquisition and Construction	--	286,123	184,859	101,264
	Total Facilities Acquisition and Construction	--	286,123	184,859	101,264

LUFKIN INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Intergovernmental Charges:				
0093	<i>Payments to Fiscal Agent/Member Dist.-SSA</i>	269,032	270,032	269,032	1,000
0099	<i>Other Intergovernmental Charges</i>	478,890	485,990	484,975	1,015
	Total Intergovernmental Charges	<u>747,922</u>	<u>756,022</u>	<u>754,007</u>	<u>2,015</u>
6030	Total Expenditures	<u>63,327,649</u>	<u>67,638,177</u>	<u>64,621,829</u>	<u>3,016,348</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>--</u>	<u>1,039,965</u>	<u>5,113,480</u>	<u>4,073,515</u>
	Other Financing Sources (Uses):				
7913	<i>Issuance of Capital Leases</i>	--	1,000,000	926,161	(73,839)
8911	<i>Transfers Out</i>	--	(2,039,965)	(1,929,104)	110,861
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>(1,039,965)</u>	<u>(1,002,943)</u>	<u>37,022</u>
1200	Net Change in Fund Balance	<u>--</u>	<u>--</u>	<u>4,110,537</u>	<u>4,110,537</u>
0100	Fund Balance - Beginning	<u>21,961,596</u>	<u>21,961,596</u>	<u>21,961,596</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 21,961,596</u>	<u>\$ 21,961,596</u>	<u>\$ 26,072,133</u>	<u>\$ 4,110,537</u>

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

Exhibit G-2

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0409687%	0.0263074%
District's proportionate share of the net pension liability (asset)	\$ 14,481,890	\$ 7,027,070
State's proportionate share of the net pension liability (asset) associated with the District	<u>28,512,444</u>	<u>26,024,935</u>
Total	<u>\$ 42,994,334</u>	<u>\$ 33,052,005</u>
District's covered-employee payroll	\$ 46,514,382	\$ 45,682,704
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.13%	15.38%
Plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%

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

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

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

Exhibit G-3

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

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2014 - August 31, 2015.

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

LUFKIN INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2016

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. All budget appropriations lapse at year end.

There is not a legal requirement to adopt a budget for the Title I, Part A - Improving Basic Programs fund; therefore, the District did not adopt a budget for that fund.

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

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

Economic Assumptions

- a. The inflation assumption was decreased from 3.00% to 2.50%.
- b. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- c. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- d. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

- e. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- f. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- g. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

LUFKIN INDEPENDENT SCHOOL DISTRICT

*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED AUGUST 31, 2016*

Other Demographic Assumptions

- h. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- i. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- j. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- k. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- l. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

- m. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

*Combining Statements and Budget Comparisons
as Supplementary Information*

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

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LUFKIN INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2016

Data Control Codes	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 752,432	\$ 2,138	\$ 504,290	\$ 1,258,860
1225	Taxes Receivable, Net	--	144,906	--	144,906
1240	Due from Other Governments	1,136,099	21,142	--	1,157,241
1260	Due from Other Funds	607,079	--	--	607,079
1290	Other Receivables	7,350	962	--	8,312
1300	Inventories	52,240	--	--	52,240
1000	Total Assets	<u>2,555,200</u>	<u>169,148</u>	<u>504,290</u>	<u>3,228,638</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 347,494	\$ 1,300	\$ --	\$ 348,794
2160	Accrued Wages Payable	185,068	--	--	185,068
2170	Due to Other Funds	757,611	--	--	757,611
2000	Total Liabilities	<u>1,290,173</u>	<u>1,300</u>	<u>--</u>	<u>1,291,473</u>
DEFERRED INFLOWS OF RESOURCES:					
	Unavailable Property Tax Revenue	--	144,906	--	144,906
2600	Total Deferred Inflows of Resources	<u>--</u>	<u>144,906</u>	<u>--</u>	<u>144,906</u>
FUND BALANCES:					
Nonspendable Fund Balances:					
3410	Inventories	52,240	--	--	52,240
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	718,786	--	--	718,786
3470	Capital Acquisitions & Contractual Obligations	--	--	504,290	504,290
3480	Retirement of Long-Term Debt	--	22,942	--	22,942
3490	Other Restrictions of Fund Balance	494,001	--	--	494,001
3000	Total Fund Balances	<u>1,265,027</u>	<u>22,942</u>	<u>504,290</u>	<u>1,792,259</u>
4000	Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,555,200</u>	<u>\$ 169,148</u>	<u>\$ 504,290</u>	<u>\$ 3,228,638</u>

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LUFKIN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 1,417,138	\$ 1,046,214	\$ 1,511	\$ 2,464,863
5800 <i>State Program Revenues</i>	533,840	926,526	--	1,460,366
5900 <i>Federal Program Revenues</i>	6,726,285	--	--	6,726,285
5020 Total Revenues	<u>8,677,263</u>	<u>1,972,740</u>	<u>1,511</u>	<u>10,651,514</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	2,780,974	--	--	2,780,974
0012 <i>Instructional Resources and Media Services</i>	52,916	--	--	52,916
0013 <i>Curriculum and Staff Development</i>	245,511	--	--	245,511
0021 <i>Instructional Leadership</i>	158,891	--	--	158,891
0023 <i>School Leadership</i>	84,534	--	--	84,534
0031 <i>Guidance, Counseling, & Evaluation Services</i>	71,056	--	--	71,056
0033 <i>Health Services</i>	56,928	--	--	56,928
0034 <i>Student Transportation</i>	415	--	--	415
0035 <i>Food Service</i>	4,823,234	--	--	4,823,234
0036 <i>Cocurricular/Extracurricular Activities</i>	178,333	--	--	178,333
0041 <i>General Administration</i>	744	--	--	744
0051 <i>Plant Maintenance and Operations</i>	9,345	--	--	9,345
0052 <i>Security and Monitoring Services</i>	4,965	--	--	4,965
0061 <i>Community Services</i>	20,007	--	--	20,007
0071 <i>Principal on Long-term Debt</i>	--	1,992,611	--	1,992,611
0072 <i>Interest on Long-term Debt</i>	--	2,692,209	--	2,692,209
0073 <i>Bond Issuance Costs and Fees</i>	--	4,406	--	4,406
6030 Total Expenditures	<u>8,487,853</u>	<u>4,689,226</u>	<u>--</u>	<u>13,177,079</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	189,410	(2,716,486)	1,511	(2,525,565)
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	--	1,929,104	--	1,929,104
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>1,929,104</u>	<u>--</u>	<u>1,929,104</u>
1200 Net Change in Fund Balances	<u>189,410</u>	<u>(787,382)</u>	<u>1,511</u>	<u>(596,461)</u>
0100 Fund Balances - Beginning	<u>1,075,617</u>	<u>810,324</u>	<u>502,779</u>	<u>2,388,720</u>
3000 Fund Balances - Ending	<u>\$ 1,265,027</u>	<u>\$ 22,942</u>	<u>\$ 504,290</u>	<u>\$ 1,792,259</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2016

Data Control Codes	203 Child Care Development Block Grant	212 Title I, Part C - Education of Migrant Children	217 Title I, 1003(a) Priority & Focus School Program	219 Title I, Part D, Subpart 2	
ASSETS:					
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ --	\$ --
1240	Due from Other Governments	--	--	11,876	12,598
1260	Due from Other Funds	--	--	--	--
1290	Other Receivables	--	--	--	--
1300	Inventories	--	--	--	--
1000	Total Assets	<u>--</u>	<u>--</u>	<u>11,876</u>	<u>12,598</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ 266	\$ 718
2160	Accrued Wages Payable	--	--	--	--
2170	Due to Other Funds	--	--	11,610	11,880
2000	Total Liabilities	<u>--</u>	<u>--</u>	<u>11,876</u>	<u>12,598</u>
FUND BALANCES:					
Nonspendable Fund Balances:					
3410	Inventories	--	--	--	--
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	--
3490	Other Restrictions of Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 11,876</u>	<u>\$ 12,598</u>

224 IDEA - Part B, Formula	225 IDEA - Part B, Preschool	240 National School Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant
\$ --	\$ --	\$ 697,541	\$ 54,886	\$ --
370,962	970	246,600	--	7,057
--	--	103,000	--	--
--	--	7,350	--	--
--	--	52,240	--	--
<u>370,962</u>	<u>970</u>	<u>1,106,731</u>	<u>54,886</u>	<u>7,057</u>
\$ 16,487	\$ --	\$ 306,322	\$ 2,243	\$ 354
102,594	--	82,010	--	--
251,881	970	--	16	6,703
<u>370,962</u>	<u>970</u>	<u>388,332</u>	<u>2,259</u>	<u>7,057</u>
--	--	52,240	--	--
--	--	666,159	52,627	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>718,399</u>	<u>52,627</u>	<u>--</u>
\$ <u>370,962</u>	\$ <u>970</u>	\$ <u>1,106,731</u>	\$ <u>54,886</u>	\$ <u>7,057</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2016

Data Control Codes	255 Title II, Part A - Teacher & Principal Training & Recruiting	263 English Language Acquisition & Enhancement	274 GEAR UP	289 Summer School LEP
ASSETS:				
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ --
1240	Due from Other Governments	167,819	33,491	71,880
1260	Due from Other Funds	--	--	300
1290	Other Receivables	--	--	--
1300	Inventories	--	--	--
1000	Total Assets	<u>167,819</u>	<u>33,491</u>	<u>71,880</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 7,734	\$ 2,021	\$ 247
2160	Accrued Wages Payable	--	--	--
2170	Due to Other Funds	160,085	31,470	71,633
2000	Total Liabilities	<u>167,819</u>	<u>33,491</u>	<u>71,880</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410	Inventories	--	--	--
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	--	--
3490	Other Restrictions of Fund Balance	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 167,819</u>	<u>\$ 33,491</u>	<u>\$ 71,880</u>

315 SSA IDEA - Part B, Discretionary	316 SSA IDEA - Part B, Deaf	317 SSA IDEA - Part B, Preschool Deaf	385 Supplemental Visually Impaired	392 Non-Educational Community- Based Support
\$ --	\$ --	\$ --	\$ --	\$ --
3,837	1,998	1,559	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>3,837</u>	<u>1,998</u>	<u>1,559</u>	<u>--</u>	<u>--</u>
<u><u>3,837</u></u>	<u><u>1,998</u></u>	<u><u>1,559</u></u>	<u><u>--</u></u>	<u><u>--</u></u>
\$ 311	\$ 249	\$ --	\$ --	\$ --
--	--	--	--	--
3,526	1,749	1,559	--	--
<u>3,837</u>	<u>1,998</u>	<u>1,559</u>	<u>--</u>	<u>--</u>
<u><u>3,837</u></u>	<u><u>1,998</u></u>	<u><u>1,559</u></u>	<u><u>--</u></u>	<u><u>--</u></u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u><u>3,837</u></u>	<u><u>1,998</u></u>	<u><u>1,559</u></u>	<u><u>--</u></u>	<u><u>--</u></u>

LUFKIN INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2016

Data Control Codes	410 State Textbook Fund	429 Read To Succeed
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ --
1240 <i>Due from Other Governments</i>	157,574	--
1260 <i>Due from Other Funds</i>	--	--
1290 <i>Other Receivables</i>	--	--
1300 <i>Inventories</i>	--	--
1000 Total Assets	<u>157,574</u>	<u>--</u>
LIABILITIES:		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ --	\$ --
2160 <i>Accrued Wages Payable</i>	--	--
2170 <i>Due to Other Funds</i>	157,574	--
2000 Total Liabilities	<u>157,574</u>	<u>--</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3410 <i>Inventories</i>	--	--
Restricted Fund Balances:		
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--
3490 <i>Other Restrictions of Fund Balance</i>	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 157,574</u>	<u>\$ --</u>

435 Regional Day School for the Deaf	461 Campus Activity Funds	499 Other Special Revenue	Total Nonmajor Special Revenue (See Exhibit H-1)
\$ --	\$ 5	\$ --	\$ 752,432
47,878	--	--	1,136,099
--	171,334	332,445	607,079
--	--	--	7,350
--	--	--	52,240
<u>47,878</u>	<u>171,339</u>	<u>332,445</u>	<u>2,555,200</u>
\$ 923	\$ 4,316	\$ 5,003	\$ 347,494
--	464	--	185,068
46,955	--	--	757,611
<u>47,878</u>	<u>4,780</u>	<u>5,003</u>	<u>1,290,173</u>
--	--	--	52,240
--	--	--	718,786
--	166,559	327,442	494,001
<u>--</u>	<u>166,559</u>	<u>327,442</u>	<u>1,265,027</u>
<u>\$ 47,878</u>	<u>\$ 171,339</u>	<u>\$ 332,445</u>	<u>\$ 2,555,200</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	203 Child Care Development Block Grant	212 Title I, Part C - Education of Migrant Children	217 Title I, 1003(a) Priority & Focus School Program	219 Title I, Part D, Subpart 2
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--	--
5900 <i>Federal Program Revenues</i>	1,720	344	19,795	54,218
5020 <i>Total Revenues</i>	<u>1,720</u>	<u>344</u>	<u>19,795</u>	<u>54,218</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	1,720	344	19,795	54,218
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0013 <i>Curriculum and Staff Development</i>	--	--	--	--
0021 <i>Instructional Leadership</i>	--	--	--	--
0023 <i>School Leadership</i>	--	--	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	--	--
0033 <i>Health Services</i>	--	--	--	--
0034 <i>Student Transportation</i>	--	--	--	--
0035 <i>Food Service</i>	--	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0041 <i>General Administration</i>	--	--	--	--
0051 <i>Plant Maintenance and Operations</i>	--	--	--	--
0052 <i>Security and Monitoring Services</i>	--	--	--	--
0061 <i>Community Services</i>	--	--	--	--
6030 <i>Total Expenditures</i>	<u>1,720</u>	<u>344</u>	<u>19,795</u>	<u>54,218</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	--	--	--	--
1200 <i>Net Change in Fund Balances</i>	--	--	--	--
0100 <i>Fund Balances - Beginning</i>	--	--	--	--
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

224 IDEA - Part B, Formula	225 IDEA - Part B, Preschool	240 National School Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant
\$ --	\$ --	\$ 455,981	\$ --	\$ --
--	--	93,298	--	--
1,467,471	18,588	4,108,577	119,167	125,408
<u>1,467,471</u>	<u>18,588</u>	<u>4,657,856</u>	<u>119,167</u>	<u>125,408</u>
1,416,003	18,588	--	--	57,541
--	--	--	--	--
--	--	--	--	--
19,135	--	--	--	--
--	--	--	--	--
1,683	--	--	--	67,867
27,737	--	--	--	--
--	--	--	--	--
--	--	4,704,223	119,011	--
--	--	--	--	--
2,913	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>1,467,471</u>	<u>18,588</u>	<u>4,704,223</u>	<u>119,011</u>	<u>125,408</u>
--	--	(46,367)	156	--
--	--	(46,367)	156	--
--	--	764,766	52,471	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 718,399</u>	<u>\$ 52,627</u>	<u>\$ --</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	255 Title II, Part A - Teacher & Principal Training & Recruiting	263 English Language Acquisition & Enhancement	274 GEAR UP	289 Summer School LEP
REVENUES:				
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800 State Program Revenues	--	--	--	--
5900 Federal Program Revenues	370,296	146,452	243,021	6,678
5020 Total Revenues	<u>370,296</u>	<u>146,452</u>	<u>243,021</u>	<u>6,678</u>
EXPENDITURES:				
Current:				
0011 Instruction	147,405	100,916	169,393	6,678
0012 Instructional Resources and Media Services	--	--	--	--
0013 Curriculum and Staff Development	216,684	18,235	10,592	--
0021 Instructional Leadership	--	26,406	61,012	--
0023 School Leadership	--	--	--	--
0031 Guidance, Counseling, & Evaluation Services	--	--	1,504	--
0033 Health Services	--	--	--	--
0034 Student Transportation	--	--	--	--
0035 Food Service	--	--	--	--
0036 Cocurricular/Extracurricular Activities	--	--	--	--
0041 General Administration	--	--	--	--
0051 Plant Maintenance and Operations	--	--	--	--
0052 Security and Monitoring Services	--	--	--	--
0061 Community Services	6,207	895	520	--
6030 Total Expenditures	<u>370,296</u>	<u>146,452</u>	<u>243,021</u>	<u>6,678</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--	--
1100 Expenditures	--	--	--	--
1200 Net Change in Fund Balances	--	--	--	--
0100 Fund Balances - Beginning	--	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

315 SSA IDEA - Part B, Discretionary	316 SSA IDEA - Part B, Deaf	317 SSA IDEA - Part B, Preschool Deaf	385 Supplemental Visually Impaired	392 Non-Educational Community- Based Support
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	2,700	3,200
23,532	19,442	1,576	--	--
<u>23,532</u>	<u>19,442</u>	<u>1,576</u>	<u>2,700</u>	<u>3,200</u>
23,532	19,442	1,576	2,700	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	3,200
<u>23,532</u>	<u>19,442</u>	<u>1,576</u>	<u>2,700</u>	<u>3,200</u>
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --

LUFKIN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	410 State Textbook Fund	429 Read To Succeed
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --
5800 <i>State Program Revenues</i>	193,908	--
5900 <i>Federal Program Revenues</i>	--	--
5020 Total Revenues	<u>193,908</u>	<u>--</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	194,111	--
0012 <i>Instructional Resources and Media Services</i>	--	99
0013 <i>Curriculum and Staff Development</i>	--	--
0021 <i>Instructional Leadership</i>	--	--
0023 <i>School Leadership</i>	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--
0033 <i>Health Services</i>	--	--
0034 <i>Student Transportation</i>	--	--
0035 <i>Food Service</i>	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--
0041 <i>General Administration</i>	--	--
0051 <i>Plant Maintenance and Operations</i>	--	--
0052 <i>Security and Monitoring Services</i>	--	--
0061 <i>Community Services</i>	--	--
6030 Total Expenditures	<u>194,111</u>	<u>99</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>(203)</u>	<u>(99)</u>
1200 Net Change in Fund Balances	(203)	(99)
0100 Fund Balances - Beginning	203	99
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>

435 Regional Day School for the Deaf	461 Campus Activity Funds	499 Other Special Revenue	Total Nonmajor Special Funds (See Exhibit H-2)
\$ --	\$ 363,890	\$ 597,267	\$ 1,417,138
240,734	--	--	533,840
--	--	--	6,726,285
<u>240,734</u>	<u>363,890</u>	<u>597,267</u>	<u>8,677,263</u>
188,411	216,294	142,307	2,780,974
--	49,581	3,236	52,916
--	--	--	245,511
52,323	15	--	158,891
--	10,342	74,192	84,534
--	2	--	71,056
--	--	29,191	56,928
--	415	--	415
--	--	--	4,823,234
--	62,148	116,185	178,333
--	(2,169)	--	744
--	396	8,949	9,345
--	--	4,965	4,965
--	1,000	8,185	20,007
<u>240,734</u>	<u>338,024</u>	<u>387,210</u>	<u>8,487,853</u>
--	25,866	210,057	189,410
--	25,866	210,057	189,410
--	140,693	117,385	1,075,617
<u>\$ --</u>	<u>\$ 166,559</u>	<u>\$ 327,442</u>	<u>\$ 1,265,027</u>

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Other Supplementary Information

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

LUFKIN INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2016*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2007 and Prior Years	\$ Various	\$ Various	\$ Various
2008	1.04	.07	1,910,367,297
2009	1.04	.113	2,350,252,286
2010	1.04	.172	2,057,448,119
2011	1.04	.16	2,085,170,500
2012	1.04	.165	2,123,601,212
2013	1.04	.17	2,142,161,488
2014	1.04	.167	2,253,455,551
2015	1.04	.173	2,260,211,707
2016 (School Year Under Audit)	1.17	.043	2,237,252,432
1000 Totals			
9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code			

EXHIBIT J-1

10 Beginning Balance 9/1/15	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/16
\$ 463,038	\$ --	\$ 32,284	\$ 2,563	\$ (5,277)	\$ 422,914
64,305	--	4,688	314	1,057	60,360
72,524	--	5,562	597	656	67,021
101,837	--	7,906	1,307	1,863	94,487
133,005	--	9,383	1,437	123	122,308
151,788	--	18,528	2,924	(2,678)	127,658
208,308	--	46,031	7,518	(1,878)	152,881
320,459	--	67,298	10,796	(5,822)	236,543
641,824	--	274,371	45,478	(27,978)	293,997
--	27,137,872	25,512,106	937,089	--	688,677
<u>\$ 2,157,088</u>	<u>\$ 27,137,872</u>	<u>\$ 25,978,157</u>	<u>\$ 1,010,023</u>	<u>\$ (39,934)</u>	<u>\$ 2,266,846</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

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LUFKIN INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT J-2

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 505,280	\$ 455,981	\$ (49,299)
5800 <i>State Program Revenues</i>	150,710	93,298	(57,412)
5900 <i>Federal Program Revenues</i>	<u>3,843,711</u>	<u>4,108,577</u>	<u>264,866</u>
5020 Total Revenues	<u>4,499,701</u>	<u>4,657,856</u>	<u>158,155</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	4,499,701	4,704,223	(204,522)
Total Support Services - Student (Pupil)	<u>4,499,701</u>	<u>4,704,223</u>	<u>(204,522)</u>
6030 Total Expenditures	<u>4,499,701</u>	<u>4,704,223</u>	<u>(204,522)</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	(46,367)	(46,367)
1200 Net Change in Fund Balance	--	(46,367)	(46,367)
0100 Fund Balance - Beginning	764,766	764,766	--
3000 Fund Balance - Ending	<u>\$ 764,766</u>	<u>\$ 718,399</u>	<u>\$ (46,367)</u>

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LUFKIN INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 1,119,315	\$ 1,046,214	\$ (73,101)
5800 <i>State Program Revenues</i>	834,216	926,526	92,310
5020 Total Revenues	<u>1,953,531</u>	<u>1,972,740</u>	<u>19,209</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	2,875,000	1,992,611	882,389
0072 <i>Interest on Long-Term Debt</i>	1,809,820	2,692,209	(882,389)
0073 <i>Bond Issuance Costs and Fees</i>	253,500	4,406	249,094
Total Debt Service	<u>4,938,320</u>	<u>4,689,226</u>	<u>249,094</u>
6030 Total Expenditures	<u>4,938,320</u>	<u>4,689,226</u>	<u>249,094</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(2,984,789)</u>	<u>(2,716,486)</u>	<u>268,303</u>
Other Financing Sources (Uses):			
7901 <i>Issuance of Refunding Bonds</i>	12,000,000	--	(12,000,000)
7915 <i>Transfers In</i>	2,039,965	1,929,104	(110,861)
8940 <i>Payment to Refunded Bonds Escrow Agent</i>	(12,000,000)	--	12,000,000
7080 Total Other Financing Sources and (Uses)	<u>2,039,965</u>	<u>1,929,104</u>	<u>(110,861)</u>
1200 Net Change in Fund Balance	<u>(944,824)</u>	<u>(787,382)</u>	<u>157,442</u>
0100 Fund Balance - Beginning	944,824	810,324	(134,500)
3000 Fund Balance - Ending	<u>\$ --</u>	<u>\$ 22,942</u>	<u>\$ 22,942</u>

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

Wilbur E. Alexander, CPA
(1940 - 2009)

AL&H ALEXANDER LANKFORD & HIERS, INC.

Certified Public Accountants, A Professional Corporation
4000 S. Medford Dr., Lufkin, Texas 75901-5500
(936) 632-7771, FAX (936) 637-2448
E-mail: alh@consolidated.net Website: www.alhcpa.com

Yvette Sidnell, CPA
Jennifer L. Webster, CPA
Kimber R. Jones, CPA
Susan L. Murrell, CPA

Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

Board of Trustees
Lufkin Independent School District
Lufkin, Texas

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, 2016, and the related notes to the financial statements, which collectively comprise Lufkin Independent School District's basic financial statements, and have issued our report thereon dated January 10, 2017.

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.

**Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards* - Continued**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lufkin Independent School District's financial statements are free 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.

Respectfully submitted,



Alexander, Lankford & Hiers, Inc.

Lufkin, Texas
January 10, 2017

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

Wilbur E. Alexander, CPA
(1940 - 2009)

AL&H ALEXANDER LANKFORD & HIERS, INC.

Certified Public Accountants, A Professional Corporation
4000 S. Medford Dr., Lufkin, Texas 75901-5500
(936) 632-7771, FAX (936) 637-2448
E-mail: alh@consolidated.net Website: www.alhcpa.com

Yvette Sidnell, CPA
Jennifer L. Webster, CPA
Kimber R. Jones, CPA
Susan L. Murrell, CPA

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Lufkin Independent School District
Lufkin, Texas

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 *OMB Compliance Supplement* that could have a direct and material effect on each of Lufkin Independent School District's major federal programs for the year ended August 31, 2016. Lufkin Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance - Continued

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, 2016.

Report on Internal Control Over Compliance

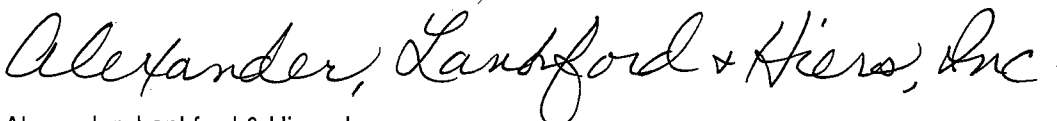
Management of Lufkin Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lufkin Independent School District's 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lufkin Independent School District's internal control over compliance.

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

Respectfully submitted,



Alexander, Lankford & Hiers, Inc.

Lufkin, Texas
January 10, 2017

LUFKIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster
	Special Education (IDEA) Cluster

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

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LUFKIN INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2016

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

LUFKIN INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2016

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

LUFKIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT K-1
Page 1 of 2

(1)	(2)	(2A)	(3)	
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CCDF CLUSTER:				
<u>U. S. Department of Health and Human Services Programs</u>				
Passed Through Deep East Texas Local Workforce Development Board:				
<i>Child Care Development Block Grant</i>	93.575	N/A	\$ --	\$ 1,720
Total CCDF Cluster			--	1,720
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture Programs</u>				
Passed Through Texas Education Agency:				
<i>School Breakfast Program</i>	10.553	71401501	--	118,387
<i>School Breakfast Program</i>	10.553	71401601	--	868,113
Total CFDA Number 10.553			--	986,500
<i>National School Lunch Program</i>	10.555	71301501	--	329,564
<i>National School Lunch Program</i>	10.555	71301601	--	2,408,569
Passed Through Texas Department of Agriculture:				
<i>Food Distribution (Non-cash)</i>	10.555	00011	--	304,660
Total CFDA Number 10.555			--	3,042,793
<i>Summer Food Service Program</i>	10.559	00011	--	119,166
<i>Summer Food Service Program</i>	10.559	6TX300355	--	79,287
Total CFDA Number 10.559			--	198,453
Total Child Nutrition Cluster			--	4,227,746
FOREST SERVICE SCHOOLS AND ROADS CLUSTER:				
<u>U. S. Department of Agriculture Programs</u>				
Passed Through Angelina County:				
<i>Schools and Roads - Grants to Counties</i>	10.666	N/A	--	24,982
Total Forest Service Schools and Roads Cluster			--	24,982
MEDICAID CLUSTER:				
<u>U. S. Department of Health and Human Services Programs</u>				
Passed Through Texas Health and Human Services Commission:				
<i>Medicaid Administrative Claim Program</i>	93.778	529-09-0032-00083	--	40,932
Total Medicaid Cluster			--	40,932

LUFKIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT K-1
Page 2 of 2

(1)	(2)	(2A)	(3)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education Programs</u>				
Passed Through Texas Education Agency:				
<i>IDEA - Part B, Formula</i>	84.027	166600010039036600	--	1,393,168
<i>SSA IDEA - Part B, Deat</i>	84.027	166600010039036601	--	19,824
<i>SSA IDEA - Part B, Discretionary</i>	84.027	166600110039036673	--	23,532
<i>IDEA - Part B, Formula</i>	84.027	176600010039036600	--	102,594
Total CFDA Number 84.027			--	1,539,118
<i>IDEA - Part B, Preschool</i>	84.173	166610010039036610	--	18,953
<i>SSA IDEA - Part B, Preschool Deat</i>	84.173	166610010039036611	--	1,607
Total CFDA Number 84.173			--	20,560
Total Special Education (IDEA) Cluster			--	1,559,678
OTHER PROGRAMS:				
<u>U. S. Department of Education Programs</u>				
Passed Through Region 7 Education Service Center:				
<i>ESEA, Title I, Part C - Education of Migratory Children</i>	84.011	16615001092950	--	344
Passed Through Stephen F. Austin State University:				
<i>GEAR UP</i>	84.334	P334A110173-14	--	9,836
<i>GEAR UP</i>	84.334	P334A110173-15	--	233,185
Total CFDA Number 84.334			--	243,021
Passed Through Texas Education Agency:				
<i>ESEA, Title I, Part A - Improving Basic Programs</i>	84.010	16610101003903	--	2,381,188
<i>ESEA, Title I, Part D, Subpart 2</i>	84.010	16610103003903	--	54,794
<i>Title I, 1003(a) Priority and Focus School Program</i>	84.010	16610112003903000	--	19,795
<i>ESEA, Title I, Part A - Improving Basic Programs</i>	84.010	17610101003903	--	146,026
Total CFDA Number 84.010			--	2,601,803
<i>Career and Technical - Basic Grant</i>	84.048	16420006003903	--	127,874
<i>Title III, Part A - English Language Acquisition & Enhancement</i>	84.365	16671001003903	--	149,331
<i>ESEA, Title II, Part A - Teacher & Principal Training & Recruiting</i>	84.367	16694501003903	--	377,576
<i>Summer School LEP</i>	84.369	69551502	--	6,678
Total U. S. Department of Education Programs			--	3,506,627
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 9,361,685
 <u>Reconciliation to Exhibit C-2</u>				
Total per Exhibit K-1				\$ 9,361,685
Other Federal Revenue:				
School Health and Related Services (SHARS)				471,832
Total Federal Revenue per Exhibit C-2				\$ 9,833,517

LUFKIN INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016*

Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Lufkin Independent School District. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

Indirect Cost Rate

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

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LUFKIN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2016

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 740,128
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 14,481,890
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ 1,121,475