

LUFKIN INDEPENDENT SCHOOL DISTRICT

Lufkin, Texas

ANNUAL FINANCIAL REPORT

For The Year Ended August 31, 2013

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INTRODUCTORY SECTION

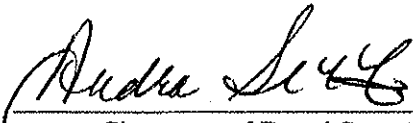
LUFKIN INDEPENDENT SCHOOL DISTRICT  
CERTIFICATE OF BOARD  
August 31, 2013


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, 2013, at a meeting of the Board of Trustees of such school district on the 16<sup>th</sup> day of January, 2014.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Lufkin Independent School District  
Lufkin, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8-12 and 35-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and 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 and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report on page 55-56 is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
January 14, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Lufkin Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2013. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$45,710,338 as of August 31, 2013.
- During the year ended August 31, 2013, the District's net position decreased by \$2,384,396. The District generated \$73,773,875 in taxes and other revenues from governmental activities.
- The total cost of the District's programs was \$76,158,271.
- The general fund reported a total fund balance of \$18,651,659.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Financial Statements

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

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

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

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

#### Fund Financial Statements

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

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



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

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

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

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

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

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

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

**Net Position.** The District's combined net position was \$45,710,338 as of August 31, 2013. The following table provides a summary of the District's net position.

**The District's Net Position**

	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 29 346 799	\$ 33 167 086
Capital and non-current assets	<u>78 164 094</u>	<u>76 517 293</u>
TOTAL ASSETS	<u>107 510 893</u>	<u>109 684 379</u>
Deferred outflows	<u>541 573</u>	<u>667 586</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>108 052 466</u>	<u>110 351 965</u>
Other liabilities	12 676 745	10 344 258
Long term liabilities	<u>49 665 383</u>	<u>52 377 249</u>
TOTAL LIABILITIES	<u>62 342 128</u>	<u>62 721 507</u>
Deferred inflows	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>62 342 128</u>	<u>62 721 507</u>
Net Position:		
Invested in capital assets, net of related debt	25 786 846	19 688 235
Restricted	1 992 972	4 056 623
Unrestricted	<u>17 930 520</u>	<u>23 885 600</u>
TOTAL NET POSITION	<u>\$ 45 710 338</u>	<u>\$ 47 630 458</u>

**Changes in Net Position.** The District's total revenues were \$73,773,875. A significant portion, 49 percent, of the District's revenue comes from state aid-formula grants. Property taxes represent 36 percent of the District's revenue. The rest of the District's revenue comes from operating grants, charges for services, investment earnings, and other local sources. The total cost of all programs and services was \$76,158,271; 79 percent of these costs are for instructional and student services.

**GOVERNMENTAL ACTIVITIES**

	<u>2013</u>	<u>2012</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 1 250 009	\$ 1 322 561
Operating grants and contributions	9 433 426	11 241 275
Property taxes	26 447 885	26 325 848
State aid - Formula	35 833 810	35 502 241
Investment earnings	97 136	65 372
Other	<u>711 609</u>	<u>291 701</u>
TOTAL PROGRAM REVENUES	<u>73 773 875</u>	<u>74 748 998</u>
Expenses:		
Instruction	40 015 501	38 485 873
Instructional resources and media services	1 000 490	1 004 182
Curriculum and staff development	1 925 968	1 917 944
Instructional leadership	1 744 849	1 636 169
School leadership	3 864 981	3 611 170
Guidance, counseling and evaluation	2 309 516	2 294 485
Social work services	107 463	103 481
Health services	587 826	572 064
Student transportation	2 970 527	3 477 482
Food service	5 227 727	5 159 148
Extracurricular activities	1 890 556	1 835 249
General administration	1 707 361	1 613 197
Plant maintenance and operations	7 551 063	7 960 532
Security and monitoring services	611 613	627 356
Data processing services	1 313 452	1 112 017
Community services	43 948	60 417
Debt service	2 645 821	3 452 479
Capital Outlay	-	84 169
Payments related to shared service arrangements	242 964	246 800
	<u>396 645</u>	<u>401 435</u>
TOTAL EXPENSES	<u>76 158 271</u>	<u>75 655 649</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ (2 384 396)</u>	<u>\$ (906 651)</u>

The governmental activities may be summarized as follows:

- The cost of all governmental activities this year was \$76,158,271.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$26,447,885.
- Some of the cost was paid by those who directly benefit from the programs in the amount of \$1,250,009, or
- By operating grants of \$9,433,426.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUND**

Revenues from governmental fund types totaled \$73,763,494, a decrease of 1% over the preceding year. The decrease in revenues is primarily attributable to a decrease in operating grants and contributions.

The District's governmental funds ended the year with a reported combined fund balance of \$20,644,631, which is \$5,784,963 decrease from last years ending balance of \$26,429,594.

## General Fund Budgetary Highlights

Over the course of the year the District revised its budget periodically.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2013, the District had invested \$131 million, less accumulated depreciation of \$53 million, in a broad range of capital assets, including land, school buildings, athletics facilities, instructional equipment, and school buses. The following table provides a summary of the District's capital assets.

#### District's Capital Assets (Net of depreciation)

	2013	2012
Land	\$ 1 956 778	\$ 1 956 778
Buildings and improvements	116 469 330	110 913 604
Furniture and equipment	4 981 998	4 211 835
Vehicles	6 781 380	6 481 530
Construction in progress	873 819	3 187 767
	<u>131 063 305</u>	<u>126 757 514</u>
TOTALS AT HISTORICAL COST		
	131 063 305	126 757 514
Less accumulated depreciation	<u>(52 899 211)</u>	<u>(50 240 221)</u>
	<u>\$ 78 164 094</u>	<u>\$ 76 517 293</u>
NET CAPITAL ASSETS		

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

#### Long-term Debt

The following table provides a summary of the District's long-term debt.

#### District's Long-term Debt

	2013	2012
Leases payable	\$ 234 279	\$ 309 941
Bonds payable	<u>52 142 969</u>	<u>54 672 969</u>
	<u>\$ 52 377 248</u>	<u>\$ 54 982 910</u>
TOTAL BONDS AND NOTES		

At year-end the District had \$52.14 million, in school building bonds outstanding as shown above.

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

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

- Appraised values used for the 2014 budget preparation were expected to increase from the prior year.
- The District's 2013-2014 average daily attendance is expected to be about the same as last year.

These indicators were taken into account when adopting the general fund budget for 2014. Due to legislative changes, State revenue will increase significantly at the same time an equal decline on property taxes will occur. The State is funding a larger portion of public education in future years.

#### **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 accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Chief Financial Officer.

BASIC FINANCIAL STATEMENTS

LUFKIN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
August 31, 2013

EXHIBIT A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 24 696 714
1225	Property taxes receivable	2 062 999
1240	Due from other governments	2 020 692
1290	Other receivables	221 686
1300	Inventory	210 900
1410	Prepaid expenditure	133 808
	Capital Assets:	
1510	Land	1 956 778
1520	Buildings and improvements, net	71 854 449
1530	Furniture and equipment, net	3 479 048
1580	Construction in progress	873 819
1000	TOTAL ASSETS	107 510 893
	Deferred Outflows:	
1700	Capitalized bond issue cost	541 573
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS	108 052 466
	LIABILITIES	
2110	Accounts payable	3 876 084
2140	Interest payable	1 131 405
2150	Other accrued expense	439 097
2160	Accrued wages payable	2 224 910
2170	Due to other funds	514
1430	Premium on issuance of bonds	1 156 228
2520	Accredited interest on CAB bonds	1 038 079
2300	Unearned revenue	98 563
2501	Due within one year	2 711 865
	Noncurrent Liabilities:	
2502	Due in more than one year	49 665 383
2000	TOTAL LIABILITIES	62 342 128
	Deferred Inflows:	
2600	Deferred inflows	-
2000a	TOTAL LIABILITIES AND DEFERRED INFLOWS	62 342 128
	NET POSITION	
3200	Investment in capital assets, net of related debt	25 786 846
	Restricted for:	
3820	Federal and state programs	974 731
3850	Debt service	989 278
3860	Construction	28 963
3900	Unrestricted	17 930 520
3000	TOTAL NET POSITION	\$ 45 710 338

The accompanying notes are an integral part of this statement.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2013

EXHIBIT B-1

DATA CONTROL CODES	1	PROGRAM REVENUES		4	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS		GOVERNMENTAL ACTIVITIES
Governmental Activities:					
11	\$ 40 015 501	\$ 44 777	\$ 3 587 078	\$	(36 383 646)
12	1 000 490	-	-		(1 000 490)
13	1 925 968	-	970 367		(955 601)
21	1 744 849	-	257 200		(1 487 649)
23	3 864 981	-	2 630		(3 862 351)
31	2 309 516	-	177 855		(2 131 661)
32	107 463	-	50 970		(56 493)
33	587 826	-	46 283		(541 543)
34	2 970 527	-	-		(2 970 527)
35	5 227 727	709 540	4 321 510		(196 677)
36	1 890 556	495 692	6 293		(1 388 571)
41	1 707 361	-	-		(1 707 361)
51	7 551 063	-	-		(7 551 063)
52	611 613	-	-		(611 613)
53	1 313 452	-	-		(1 313 452)
61	43 948	-	13 240		(30 708)
72	2 645 821	-	-		(2 645 821)
93	242 964	-	-		(242 964)
	396 645	-	-		(396 645)
TG	<u>76 158 271</u>	<u>1 250 009</u>	<u>9 433 426</u>		<u>(65 474 836)</u>
TP	<u>\$ 76 158 271</u>	<u>\$ 1 250 009</u>	<u>\$ 9 433 426</u>		<u>(65 474 836)</u>
General Revenues:					
MT	Property taxes, levied for general purposes				22 764 733
DT	Property taxes, levied for debt service				3 683 152
IE	Investment earnings				97 136
GC	Grants and contributions not restricted to specific programs				35 833 810
MI	Miscellaneous				711 609
TR	<u>TOTAL GENERAL REVENUES</u>				<u>63 090 440</u>
CN	<u>CHANGE IN NET POSITION</u>				<u>(2 384 396)</u>
NB	Net position - Beginning				47 630 456
PA	Prior period adjustment				464 278
NB	<u>NET POSITION - RESTATED</u>				<u>48 094 734</u>
NE	<u>NET POSITION - ENDING</u>				<u>\$ 45 710 338</u>

The accompanying notes are an integral part of this statement.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
August 31, 2013

EXHIBIT C-1

DATA CONTROL CODES		10	60	OTHER GOVERN- MENTAL FUNDS	98 TOTAL GOVERN- MENTAL FUNDS
	GENERAL FUND	CAPITAL PROJECT FUND			
ASSETS					
1110	Cash and cash equivalents	\$ 22 130 908	\$ 290 993	\$ 2 274 813	\$ 24 696 714
1225	Taxes receivable, net	1 818 881	-	244 118	2 062 999
1240	Due from other governments	990 600	-	1 030 092	2 020 692
1260	Due from other funds	145 664	61 485	-	207 149
1290	Other receivables	220 440	-	1 246	221 686
1300	Inventory	8 778	-	202 122	210 900
1410	Prepaid expenditures	93 808	-	40 000	133 808
1000	TOTAL ASSETS	<u>\$ 25 409 079</u>	<u>\$ 352 478</u>	<u>\$ 3 792 391</u>	<u>\$ 29 553 948</u>
LIABILITIES AND FUND BALANCE					
Current Liabilities:					
2110	Accounts payable	\$ 2 405 393	\$ 323 515	\$ 1 147 176	\$ 3 876 084
2150	Other payables	439 097	-	-	439 097
2160	Accrued wages payable	1 995 486	-	229 424	2 224 910
2170	Due to other funds	-	-	207 663	207 663
2300	Unearned revenue	1 917 444	-	244 119	2 161 563
2000	TOTAL LIABILITIES	<u>6 757 420</u>	<u>323 515</u>	<u>1 828 382</u>	<u>8 909 317</u>
Fund Balances:					
3410	Nonspendable fund balance	127 717	-	-	127 717
Restricted Fund Balances:					
3450	Restricted for food service	-	-	865 393	865 393
3420	Restricted for debt service	-	-	989 278	989 278
3490	Other restricted of fund balance	-	28 963	109 338	138 301
3600	Unassigned	18 523 942	-	-	18 523 942
3000	TOTAL FUND BALANCE	<u>18 651 659</u>	<u>28 963</u>	<u>1 964 009</u>	<u>20 644 631</u>
4000	TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 25 409 079</u>	<u>\$ 352 478</u>	<u>\$ 3 792 391</u>	<u>\$ 29 553 948</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, 2013

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET	\$	20 644 631
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not reported in the funds.		78 164 094
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		2 062 999
Payables for bond and lease principal and interest which are due in the current period are not reported in the funds.		(52 377 248)
Payables for capital appreciation bond principal and premiums not due in the current period are not reported in the funds.		(3 325 712)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds		541 573
Rounding		<u>1</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF OF NET POSITION	\$	<u>45 710 338</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, 2013

EXHIBIT C-2

DATA CONTROL CODES	10  GENERAL FUND	50  CAPITAL PROJECT FUND	OTHER GOVERN- MENTAL FUNDS	98  TOTAL GOVERN- MENTAL FUNDS	
Revenues:					
5700	Local and intermediate sources	\$ 23 462 747	\$ 34 421	\$ 4 999 090	\$ 28 496 258
5800	State program revenues	33 313 349	-	1 163 071	34 476 420
5900	Federal program revenues	1 612 598	-	9 178 218	10 790 816
5020	TOTAL REVENUES	<u>58 388 694</u>	<u>34 421</u>	<u>15 340 379</u>	<u>73 763 494</u>
Expenditures:					
Current:					
0011	Instruction	34 602 294	-	3 994 907	38 597 201
0012	Instructional resources and media services	845 252	-	119 262	964 514
0013	Curriculum and staff development	883 846	-	972 867	1 856 713
0021	Instructional leadership	1 424 907	-	257 200	1 682 107
0023	School leadership	3 704 151	-	21 851	3 726 002
0031	Guidance, counseling and evaluation services	2 048 405	-	178 064	2 226 469
0032	Social work	52 629	-	50 970	103 599
0033	Health services	520 132	-	46 557	566 689
0034	Student transportation	3 145 655	-	1 340	3 146 995
0035	Food services	-	-	5 060 506	5 060 506
0036	Co curricular/extracurricular activities	1 657 672	-	164 902	1 822 574
0041	General administration	1 645 637	-	330	1 645 967
0051	Plant maintenance and operations	7 270 900	-	22 910	7 293 810
0052	Security and monitoring services	589 577	-	45	589 622
0053	Data processing services	1 962 373	-	-	1 962 373
0061	Community services	27 925	-	14 443	42 368
0071	Debt service	80 590	-	4 772 894	4 853 484
0081	Capital outlay	1 008 454	1 759 401	-	2 767 855
0093	Payments to shared service arrangements	242 964	-	-	242 964
0099	Other governmental charges	396 645	-	-	396 645
6030	TOTAL EXPENDITURES	<u>62 110 008</u>	<u>1 759 401</u>	<u>15 679 048</u>	<u>79 548 457</u>
1200	NET CHANGE IN FUND BALANCES	(3 721 314)	(1 724 980)	(338 669)	(5 784 963)
0100	Fund balance - Beginning	<u>22 372 973</u>	<u>1 753 943</u>	<u>2 302 678</u>	<u>26 429 594</u>
3000	FUND BALANCE - ENDING	<u>\$ 18 651 659</u>	<u>\$ 28 963</u>	<u>\$ 1 964 009</u>	<u>\$ 20 644 631</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, 2013

EXHIBIT C-3

Net change in fund balances - Total governmental funds	\$ (5 784 963)
Amounts Reported for Governmental Activities in the Statement of Activities ("SOA") are Different Because:	
Capital outlays are not reported as expenses in the SOA.	3 841 513
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2 658 990)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	10 381
Repayment of bond and capital lease principal is an expenditure in the funds but is not an expense in the SOA.	2 546 560
Amount represents decrease in issue cost from beginning of period to end of period.	(126 013)
Amount represents increase in accrued interest from beginning of period to end of period.	<u>(212 884)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	<u>\$ (2 384 396)</u>

The accompanying notes are an integral part of this statement.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
August 31, 2013

EXHIBIT E-1

DATA CONTROL CODES		AGENCY FUNDS
	ASSETS	
1110	Cash and cash equivalents	\$ 250 467
1260	Due from other funds	514
1000	TOTAL ASSETS	\$ 250 981
	LIABILITIES	
	Current Liabilities:	
2190	Due to student groups	\$ 250 981
2000	TOTAL LIABILITIES	\$ 250 981

The accompanying notes are an integral part of this statement.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. The Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity" and there are not component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

Basis of Presentation:

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

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

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

The District reports the following major governmental funds:

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Projects Fund: This fund accounts for the activity associated with construction and repairs resulting from bond issues.

In addition, the District reports the following fund types:

Debt Service Fund: This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Special Revenue Funds: These funds account for resources restricted to, or designated for, specific purposes by a grantor. Some federal and state financial assistance is accounted for in a *Special Revenue Fund*, and sometimes unused balances must be returned to the grantor at the close of the specified project periods.

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

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

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 does not consider property tax revenues collected after its year-end to be available. 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.

Fund balances of the Government 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).

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 conveys 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.

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.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. It is the deferred charge on bond issue reported in the government-wide statement of net position. A deferred charge on bond issuance results from the difference in the carrying value of the debt and its acquisition price. This amount is deferred and amortized over the shorter of the life of the bond or refunding of the debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District notes no item that qualifies for reporting in the category.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Financial Statement Amounts

Property Taxes:

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

Allowances of uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Inventories and Prepaid Items:

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

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

Capital Assets:

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

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

<u>ASSET CLASS</u>	<u>ESTIMATED USEFUL LIVES</u>
Buildings and improvements	20 - 50
Furniture and equipment	5 - 20
Capital leases	5 - 10

Receivable and Payable Balances:

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

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 - CONTINUED  
August 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interfund Activity:

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

Use of Estimates:

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

Prior Period Adjustment:

During the year, it was determined that an accounts payable item was accrued in prior year but not capitalized as construction in process. Thus, a prior period adjustment was made to correct the error. The effect on beginning net position, for governmental activities, was \$464,278.

Data Control Codes:

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

NOTE B - COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

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

<u>VIOLATION</u>	<u>ACTION TAKEN</u>
Negative fund balance in Special Revenue Funds 211, 224, 242, 255	General fund transfer
Exceeded budget in functions 31 and 53	Not applicable

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2013

NOTE C - DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At August 31, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$22,745,972 and the bank balance was \$22,809,575. The District's cash deposits at August 31, 2013 and during the period ended August 31, 2013, were entirely covered by FDIC insurance or by pledged collateral held by the District'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 Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The District's Investments at August 31, 2013 are shown below.

INVESTMENT OR INVESTMENT TYPE	WEIGHTED AVERAGE	FAIR VALUE
External investment pool TexPool	49 days	\$ 1 241 591
Federated government obligations #5	N/A	905 606
TOTAL INVESTMENTS		\$ 2 147 197

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2013

NOTE C - DEPOSITS AND INVESTMENTS - CONTINUED

3. Analysis of Specific Deposit and Investment Risks:

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

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The District's policy does not limit its investment in public funds investment pools or money market mutual funds based on credit ratings.

At August 31, 2013, the District's investments are rated as to credit quality as follows: TexPool - Rated AAAM by Standard and Poor's, Federated Government Obligations #5 - Rated AAAM by Standard and Poor's, Aaa by Moody's Investors Service, and AAA Fitch Ratings.

Interest Rate Risk:

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy does not limit its investment in public funds investment pools. Weighted average maturities are noted in the table above. The District's policy limits its investments in money market mutual funds to those that have a dollar-weighted average stated maturity of 90 days or less.

The District's general policy is to report investments at fair value unless a legal contract exists which guarantees a higher value.

Public Funds Investment Pools:

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

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. TexPool is a 2a7-like pool.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2013

NOTE D - CAPITAL ASSETS

Capital asset activity for the period ended August 31, 2013, was as follows:

<u>GOVERNMENT ACTIVITIES</u>	<u>BEGINNING BALANCES</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCES</u>
Capital Assets Not Being Depreciated:				
Land	\$ 1 956 778	\$ -	\$ -	\$ 1 956 778
Construction in progress	3 187 767	3 232 132	(5 546 080)	873 819
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>5 144 545</u>	<u>3 232 132</u>	<u>(5 546 080)</u>	<u>2 830 597</u>
Capital Assets Being Depreciated:				
Buildings and improvements	110 913 704	5 555 626	-	116 469 330
Furniture and equipment	4 211 835	770 163	-	4 981 998
Vehicles	6 487 530	293 850	-	6 781 380
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>121 613 069</u>	<u>6 619 639</u>	<u>-</u>	<u>128 232 708</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(42 423 272)	(2 191 609)	-	(44 614 881)
Furniture and equipment	(3 151 088)	(221 686)	-	(3 372 774)
Vehicles	(4 665 861)	(245 695)	-	(4 911 556)
TOTAL ACCUMULATED DEPRECIATION	<u>(50 240 221)</u>	<u>(2 658 990)</u>	<u>-</u>	<u>(52 899 211)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>71 372 848</u>	<u>3 960 649</u>	<u>-</u>	<u>75 333 497</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 76 517 393</u>	<u>\$ 7 192 781</u>	<u>\$ (5 546 080)</u>	<u>\$ 78 164 094</u>

Depreciation was charged to functions as follows:

11	Instruction	\$ 1 439 658
12	Instructional resources and media services	35 976
13	Curriculum and staff development	69 255
21	Instructional leadership	62 742
23	School leadership	138 978
31	Guidance, counseling, and evaluation services	83 046
32	Social work services	3 864
33	Health services	21 137
34	Student transportation	117 381
35	Food services	188 754
36	Extracurricular activities	67 981
41	General administration	61 394
51	Plant maintenance and operations	272 056
52	Security and monitoring services	21 991
53	Data processing services	73 197
61	Community services	1 580
		<u>\$ 2 658 990</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2013

NOTE E - INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2013, consisted of the following:

DUE TO FUND	DUE FROM FUND	AMOUNT	PURPOSE
General fund	Other governmental funds	\$ 145 664	Short-term advances
Capital projects fund	Other governmental funds	61 485	Short-term advances
Agency fund	General fund	514	Short-term advances
	TOTAL	\$ 207 663	

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

NOTE F - LONG-TERM OBLIGATIONS

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

1. Long-Term Obligation Activity:

Long-term obligations include debt and other long-term liabilities.

The District issued the Series 2005 Unlimited Tax Refunding Bonds originally for \$19,600,000. Interest rates on these bonds range from 2.25% to 11.50%.

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% for these bonds.

The Series 2012 Unlimited Tax School Building Bonds were issued for \$5,880,000. These bonds were issued at a premium of \$231,428 with associated issue cost of \$103,426. Interest rates range from 1.00 to 1.80%.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2013

NOTE F - LONG-TERM OBLIGATIONS - CONTINUED

Changes in long-term obligations for the year ended August 31, 2013, are as follows:

	BALANCE 08/31/2012	INCREASES	DECREASES	BALANCE 08/31/2013	AMOUNTS DUE WITHIN ONE YEAR
2005 Bond	\$ 10 750 000	\$ -	\$ (1 585 000)	\$ 9 165 000	\$ 1 660 000
Bond premium	180 511	-	(101 235)	79 276	-
Deferred refunding	(180 691)	-	101 336	(79 355)	-
2008 Bond	13 569 999	-	(330 000)	13 239 999	345 000
Bond premium	182 247	-	(7 010)	175 237	-
Capitalized issue cost	(91 828)	-	3 532	(88 296)	-
CAB - Interest accretion	304 758	70 460	-	375 218	-
2009 Bonds	24 472 970	-	(615 000)	23 857 970	630 000
Capitalized issue cost	(291 641)	-	10 802	(280 839)	-
Bond premium	720 100	-	(26 670)	693 430	-
CAB - Interest accretion	516 161	146 700	-	662 861	-
2012 Bond	5 880 000	-	-	5 880 000	-
Bond premium	231 428	-	(23 143)	208 285	-
Capitalized issue cost	(103 426)	-	10 343	(93 083)	-
Capital leases	309 941	-	(75 662)	234 279	76 865
TOTAL GOVERNMENTAL ACTIVITIES	\$ 56 450 529	\$ 217 160	\$ (2 637 707)	\$ 54 029 982	\$ 2 711 865

2. Debt Service Requirements:

Debt service requirements on long-term debt at August 31, 2013, are as follows:

YEAR ENDING AUGUST 31,	BONDS		
	PRINCIPAL	INTEREST	TOTAL
2014	\$ 2 635 000	\$ 2 146 505	\$ 4 781 505
2015	2 467 671	2 319 611	4 787 282
2016	1 962 611	2 831 795	4 794 406
2017	2 342 687	2 475 469	4 818 156
2018	3 040 000	1 747 844	4 787 844
2019-2023	11 595 000	7 382 712	18 977 712
2024-2028	6 985 000	5 898 497	12 883 497
2029-2033	8 675 000	4 200 467	12 875 467
2034-2038	10 890 000	1 988 024	12 878 024
2039	1 550 000	73 624	1 623 624
TOTALS	\$ 52 142 969	\$ 31 064 548	\$ 83 207 517

3. Capital Leases:

YEAR ENDING AUGUST 31,	
2014	\$ 80 590
2015	80 590
2016	80 588
TOTAL MINIMUM RENTALS	241 768
Less amount representing interest cost	(7 489)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$ 234 279

The effective interest rate on capital leases is 1.59%.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2013

NOTE G - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year 2013, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years. The District is a member of the Deep East Texas Self-Insurance Fund, a public entity risk pool which is self-sustained through member premiums. The fund reinsures through commercial companies for claims in excess of \$750,000. The District pays an annual premium to the Fund for its workers' compensation insurance coverage. By participating in the pool, the District is not responsible for its own paid claims; consequently risks associated with workers' compensation are passed to the pool. However, members would be contingently liable for their share of liabilities in the event the assets of the Fund were exhausted.

NOTE H - PENSION PLAN

1. Plan Description:

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities, death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. TRS operates primarily under the provisions of the Texas constitution, Article XVI, Sec.67, and Texas government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing the TRS communications Department, 1000 Red River Street, Austin, Texas 78701, by calling 800.223.8778, or by downloading the report from TRS internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

2. Funding Policy:

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a 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. State law provides for a member contribution rate of 6.4% for fiscal years 2013, 2012, and 2011, and a state contribution rate of 6.40% for fiscal year 2013, 6.00% for 2012 and 6.64% for fiscal year 2011. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2011 through August 2012. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2013, 2012 and 2011 were \$2,440,032, \$2,251,559 and \$1,978,642, respectively. The District paid additional state contributions for the years ending August 31, 2013, 2012 and 2011 in the amount of \$544,919, \$517,076 and \$619,592, respectively, for the statutory minimum matching and federal grant matching portion of salaries.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2013

NOTE H - PENSION PLAN - CONTINUED

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2012 and 2011. 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. For the years ended August 31, 2013, 2012 and 2011 the State's contributions to TRS-Care were \$498,738, \$421,610 and \$452,172, respectively, the active member contributions were \$324,180, \$219,430 and \$248,690, respectively, and the District's contributions were \$274,306, \$278,643 and \$293,912, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries know as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2013, 2012 and 2011, the subsidy payments received by TRS-Care on behalf of the District was \$125,048, \$120,580 and \$126,428, respectively.

Other Postemployment Benefits - Retiree Health Care Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employee 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](http://www.trs.state.tx.us) under the TRS Publications heading, by calling the Communications Department of the Teacher Retirement System of Texas at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

NOTE I - HEALTH CARE COVERAGE

1. Employee Health Care Coverage

During the year ended August 31, 2013, employees of the District were covered by a health insurance plan (the Plan). The district is a member of TRS-ActiveCare, a statewide health coverage plan for public school employees. It was established by Chap1579, "Texas School Employees Uniform Health Coverage Act", of the Texas Insurance Code. Employees can choose from PPO plans administered by BlueCross and BlueShield of Texas and Medco. 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 licensed insurer.

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



LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2013

NOTE J - COMMITMENTS AND CONTINGENCIES

1. 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.

2. Litigation:

No reportable litigation was pending against the District at August 31, 2013.

NOTE K - SHARED SERVICES ARRANGEMENTS

Shared Services Arrangement - Fiscal Agent:

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

Shared Service Arrangement - Membership:

The District participates in a Model 1 Shared Services Arrangement with Region VII Education Service Center for Non-Educational Community-Based Support. The District is reporting the revenues and expenditures associated with monies transferred to them from the fiscal agent in the appropriate special revenue fund. The District also participates in a Model 3 shared services arrangement for at-risk students at the Program, which pays for the salary of a vocational coordinator for Angelina County school districts. Hudson ISD is the fiscal agent for both. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Hudson ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

NOTE L - SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through January 14, 2014, the date the statements were available to be issued.

#### REQUIRED SUPPLEMENTARY INFORMATION

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For The Year Ended August 31, 2013

EXHIBIT G-1

DATA CONTROL CODES		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 23 077 144	\$ 23 577 144	\$ 23 462 747	\$ (114 397)
5800	State program revenues	35 067 156	34 442 156	33 313 349	(1 128 807)
5900	Federal program revenues	<u>616 663</u>	<u>616 663</u>	<u>1 612 598</u>	<u>995 935</u>
5020	TOTAL REVENUES	<u>58 760 963</u>	<u>58 635 963</u>	<u>58 388 694</u>	<u>(247 269)</u>
	Expenditures:				
	Current:				
0011	Instruction	33 791 176	35 014 573	34 602 294	412 279
0012	Instructional resources and media services	817 613	865 192	845 252	19 940
0013	Curriculum and staff development	848 105	923 662	883 846	39 816
0021	Instructional leadership	1 422 602	1 473 574	1 424 907	48 667
0023	School leadership	3 637 832	3 758 909	3 704 151	54 758
0031	Guidance, counseling and evaluation services	1 922 496	2 009 065	2 048 405	(39 340)
0032	Social work	49 829	55 328	52 629	2 699
0033	Health services	519 607	550 359	520 132	30 227
0034	Student transportation	2 732 249	3 261 275	3 145 655	115 620
0036	Co-curricular/extracurricular activities	1 717 750	1 681 103	1 657 672	23 431
0041	General administration	1 574 438	1 659 175	1 645 637	13 538
0051	Plant maintenance and operations	7 439 195	7 547 795	7 270 900	276 895
0052	Security and monitoring services	599 047	614 953	589 577	25 376
0053	Data processing services	1 118 791	1 329 078	1 962 373	(633 295)
0061	Community services	40 000	31 313	27 925	3 388
0071	Debit services	80 715	80 715	80 590	125
0081	Capital outlay	-	1 108 775	1 008 454	100 321
0093	Payments shared service arrangements	245 346	246 800	242 964	3 836
0099	Other government charges	<u>400 000</u>	<u>396 833</u>	<u>396 645</u>	<u>188</u>
6030	TOTAL EXPENDITURES	<u>58 956 791</u>	<u>62 608 477</u>	<u>62 110 008</u>	<u>498 469</u>
1200	NET CHANGE IN FUND BALANCES	(195 828)	(3 972 514)	(3 721 314)	251 200
0100	Fund balance - Beginning	<u>22 372 973</u>	<u>22 372 973</u>	<u>22 372 973</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 22 177 145</u>	<u>\$ 18 400 459</u>	<u>\$ 18 651 659</u>	<u>\$ 251 200</u>

See independent auditors' report.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 CAPITAL PROJECT FUND  
 BUDGETARY COMPARISON SCHEDULE  
 For The Year Ended August 31, 2013

EXHIBIT G-2

DATA CONTROL CODES		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ -	\$ 34 328	\$ 34 421	\$ 93
5020	TOTAL REVENUES	<u>-</u>	<u>34 328</u>	<u>34 421</u>	<u>93</u>
	Expenditures:				
0081	Capital outlay	1 701 995	1 701 995	1 759 401	(57 406)
6030	TOTAL EXPENDITURES	<u>1 701 995</u>	<u>1 701 995</u>	<u>1 759 401</u>	<u>(57 406)</u>
1200	NET CHANGE IN FUND BALANCES	(1 701 995)	(1 667 667)	(1 724 980)	(57 313)
0100	Fund balance - Beginning	1 753 943	1 753 943	1 753 943	-
3000	FUND BALANCE - ENDING	<u>\$ 51 948</u>	<u>\$ 86 276</u>	<u>\$ 28 963</u>	<u>\$ (57 313)</u>

See independent auditors' report.

COMBINING STATEMENTS  
AS SUPPLEMENTARY INFORMATION

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 August 31, 2013

EXHIBIT H-1

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-1)
	ASSETS			
1110	Cash and cash equivalent	\$ 1 285 034	\$ 989 779	\$ 2 274 813
1225	Taxes receivable, net	-	244 118	244 118
1240	Due from other government	1 030 092	-	1 030 092
1290	Other receivables	1 246	-	1 246
1300	Inventory	202 122	-	202 122
1410	Deferred expenditures	40 000	-	40 000
1000	TOTAL ASSETS	\$ 2 558 494	\$ 1 233 897	\$ 3 792 391
	LIABILITIES			
	Current Liabilities:			
2110	Accounts payable	\$ 1 147 176	\$ -	\$ 1 147 176
2160	Accrued wages payable	229 424	-	229 424
2170	Due to other funds	207 163	500	207 663
2300	Deferred revenue	-	244 119	244 119
2000	TOTAL LIABILITIES	1 583 763	244 619	1 828 382
	FUND BALANCES			
	Restricted Fund Balances:			
3450	Restricted for food service	865 393	-	865 393
3420	Restricted for debt service	-	989 278	989 278
3490	Other restricted of fund balance	109 338	-	109 338
3000	TOTAL FUND BALANCE	974 731	989 278	1 964 009
4000	TOTAL LIABILITIES AND FUND BALANCES	\$ 2 558 494	\$ 1 233 897	\$ 3 792 391

See independent auditors' report.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For The Year Ended August 31, 2013

EXHIBIT H-2

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-1)
	Revenues:			
5700	Local and intermediate sources	\$ 1 311 348	\$ 3 687 742	\$ 4 999 090
5800	State program revenues	255 208	907 863	1 163 071
5900	Federal program revenues	9 178 218	-	9 178 218
5020	TOTAL REVENUE	<u>10 744 774</u>	<u>4 595 605</u>	<u>15 340 379</u>
	Expenditures:			
	Current:			
0011	Instruction	3 994 907	-	3 994 907
0012	Instructional resources and media services	119 262	-	119 262
0013	Curriculum and staff development	972 867	-	972 867
0021	Instructional leadership	257 200	-	257 200
0023	School leadership	21 851	-	21 851
0031	Guidance, counseling, and evaluation services	178 064	-	178 064
0032	Social work	50 970	-	50 970
0033	Health services	46 557	-	46 557
0034	Student transportation	1 340	-	1 340
0035	Food service	5 060 506	-	5 060 506
0036	Cocurricular/extracurricular activities	164 902	-	164 902
0041	General administration	330	-	330
0051	Plant maintenance and operations	22 910	-	22 910
0053	Data processing services	45	-	45
0061	Community services	14 443	-	14 443
0071	Debt service	-	4 772 894	4 772 894
6030	TOTAL EXPENDITURES	<u>10 906 154</u>	<u>4 772 894</u>	<u>15 679 048</u>
1200	NET CHANGE IN FUND BALANCES	(161 380)	(177 289)	(338 669)
0100	Fund balances - Beginning	<u>1 136 111</u>	<u>1 166 567</u>	<u>2 302 678</u>
3000	FUND BALANCES - ENDING	<u>\$ 974 731</u>	<u>\$ 989 278</u>	<u>\$ 1 964 009</u>

See independent auditors' report.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 August 31, 2013

DATA CONTROL CODES		211	219	224	225	240
		ESEA TITLE I	TITLE I PART D	IDEA B FORMULA	IDEA B PRE- SCHOOL	CHILD NUTRITION
	ASSETS					
1110	Cash and cash equivalent	\$ -	\$ -	\$ -	\$ -	\$ 998 228
1240	Due from other government	446 035	-	243 643	389	102 268
1290	Other receivables	-	-	-	-	-
1300	Inventory	-	-	-	-	202 122
1410	Deferred expenditures	-	-	-	-	-
1000	TOTAL ASSETS	<u>\$ 446 035</u>	<u>\$ -</u>	<u>\$ 243 643</u>	<u>\$ 389</u>	<u>\$ 1 302 618</u>
	LIABILITIES					
	Current Liabilities:					
2110	Accounts payable	\$ 441 715	\$ -	\$ 241 015	\$ 389	\$ 204 414
2160	Accrued wages payable	99 437	-	66 710	-	63 277
2170	Due to other funds	-	-	-	-	162 452
2000	TOTAL LIABILITIES	<u>541 152</u>	<u>-</u>	<u>307 725</u>	<u>389</u>	<u>430 143</u>
	FUND BALANCES					
	Restricted Fund Balances:					
3450	Restricted for food service	-	-	-	-	872 475
3490	Other restricted of fund balance	(95 117)	-	(64 082)	-	-
3000	TOTAL FUND BALANCE	<u>(95 117)</u>	<u>-</u>	<u>(64 082)</u>	<u>-</u>	<u>872 475</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 446 035</u>	<u>\$ -</u>	<u>\$ 243 643</u>	<u>\$ 389</u>	<u>\$ 1 302 618</u>

See independent auditors' report.



242	244	255	263	274	281	289
SUMMER FEEDING PROGRAM	VOCATIONAL EDUCATION BASIC GRANT	TITLE II PART A TRAINING	TITLE III BILINGUAL ESL	GEAR UP 2012	CHILD CARE SERVICES GRANT	TITLE VI PART A
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
48 912	-	40 632	27 416	106 007	-	-
-	-	-	-	-	-	-
-	-	-	-	40 000	-	-
<u>\$ 48 912</u>	<u>\$ -</u>	<u>\$ 40 632</u>	<u>\$ 27 416</u>	<u>\$ 146 007</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 11 283	\$ -	\$ 40 665	\$ 26 171	\$ 146 005	\$ -	\$ -
-	-	-	-	-	-	-
44 711	-	-	-	-	-	-
<u>55 994</u>	<u>-</u>	<u>40 665</u>	<u>26 171</u>	<u>146 005</u>	<u>-</u>	<u>-</u>
(7 082)	-	-	-	-	-	-
-	-	(33)	1 245	2	-	-
<u>(7 082)</u>	<u>-</u>	<u>(33)</u>	<u>1 245</u>	<u>2</u>	<u>-</u>	<u>-</u>
<u>\$ 48 912</u>	<u>-</u>	<u>\$ 40 632</u>	<u>\$ 27 416</u>	<u>\$ 146 007</u>	<u>\$ -</u>	<u>\$ -</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED  
 August 31, 2013

DATA CONTROL CODES		315 SSA IDEA-B DISCRET- IONARY	316 SSA IDEA B DEAF	317 SSA IDEA B PRESCHOOL DEAF	385 VISUALLY IMPAIRED
	ASSETS				
1110	Cash and cash equivalent	\$ -	\$ (2 229)	\$ -	\$ -
1240	Due from other government	2 615	2 229	1 515	-
1290	Other receivables	-	-	-	-
1300	Inventory	-	-	-	-
1410	Deferred expenditures	-	-	-	-
1000	TOTAL ASSETS	<u>\$ 2 615</u>	<u>\$ -</u>	<u>\$ 1 515</u>	<u>\$ -</u>
	LIABILITIES				
	Current Liabilities:				
2110	Accounts payable	\$ 2 615	\$ -	\$ 1 515	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	-	-	-
2000	TOTAL LIABILITIES	<u>2 615</u>	<u>-</u>	<u>1 515</u>	<u>-</u>
	FUND BALANCES				
	Restricted Fund Balances:				
3450	Restricted for food service	-	-	-	-
3490	Other restricted of fund balance	-	-	-	-
3000	TOTAL FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2 615</u>	<u>\$ -</u>	<u>\$ 1 515</u>	<u>\$ -</u>

See independent auditors' report.

404	410	429	435	461	499	SPECIAL
STUDENT	TEXT-	READ TO	SSA	CAMPUS	SCHOLAR-	REVENUE
SUCCESS	BOOK	SUCCEED	REGIONAL	ACTIVITY	SHIP	FUNDS
INITIATIVE	FUND		DAY SCHOOL	FUND	FUND	(SEE
			FOR DEAF			EXHIBIT H-1)
\$ -	\$ 203	\$ 47	\$ -	\$ 171 399	\$ 117 386	\$ 1 285 034
2 869	-	-	5 562	-	-	1 030 092
-	-	-	-	-	1 246	1 246
-	-	-	-	-	-	202 122
-	-	-	-	-	-	40 000
<u>\$ 2 869</u>	<u>\$ 203</u>	<u>\$ 47</u>	<u>\$ 5 562</u>	<u>\$ 171 399</u>	<u>\$ 118 632</u>	<u>\$ 2 558 494</u>
\$ 2 869	\$ -	\$ -	\$ 5 562	\$ 21 297	\$ 1 661	\$ 1 147 176
-	-	-	-	-	-	229 424
-	-	-	-	-	-	207 163
<u>2 869</u>	<u>-</u>	<u>-</u>	<u>5 562</u>	<u>21 297</u>	<u>1 661</u>	<u>1 583 763</u>
-	-	-	-	-	-	865 393
-	203	47	-	150 102	116 971	109 338
-	203	47	-	150 102	116 971	974 731
<u>\$ 2 869</u>	<u>\$ 203</u>	<u>\$ 47</u>	<u>\$ 5 562</u>	<u>\$ 171 399</u>	<u>\$ 118 632</u>	<u>\$ 2 558 494</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, 2013

DATA CONTROL CODES		211	219	224	225	240
		ESEA TITLE I	TITLE I PART D	IDEA B FORMULA	IDEA B PRE- SCHOOL	CHILD NUTRITION
Revenues:						
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -	\$ 711 804
5800	State program revenues	-	-	-	-	49 795
5900	Federal program revenues	<u>2 321 530</u>	<u>-</u>	<u>1 542 017</u>	<u>22 345</u>	<u>4 149 962</u>
5020	TOTAL REVENUES	<u>2 321 530</u>	<u>-</u>	<u>1 542 017</u>	<u>22 345</u>	<u>4 911 561</u>
Expenditures:						
Current:						
0011	Instruction	1 453 030	-	1 465 368	22 345	-
0012	Instructional resources and media services	-	-	-	-	-
0013	Curriculum and staff development	762 231	-	-	-	-
0021	Instructional leadership	91 955	-	24 724	-	-
0023	School leadership	704	-	-	-	-
0031	Guidance, counseling, and evaluation services	46 582	-	69 106	-	-
0032	Social work	50 970	-	-	-	-
0033	Health services	-	-	46 283	-	-
0034	Student transportation	-	-	-	-	-
0035	Food services	-	-	-	-	4 935 897
0036	Cocurricular/extracurricular activities	5 269	-	618	-	-
0041	General administration	-	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-	-
0053	Data processing services	-	-	-	-	-
0061	Community services	<u>5 906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
6030	TOTAL EXPENDITURES	<u>2 416 647</u>	<u>-</u>	<u>1 606 099</u>	<u>22 345</u>	<u>4 935 897</u>
1200	NET CHANGE IN FUND BALANCES	(95 117)	-	(64 082)	-	(24 336)
0100	Fund balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>896 811</u>
3000	FUND BALANCES - ENDING	<u>\$ (95 117)</u>	<u>\$ -</u>	<u>\$ (64 082)</u>	<u>\$ -</u>	<u>\$ 872 475</u>

See independent auditors' report.

242	244	255	263	274	281	289
SUMMER FEEDING PROGRAM	VOCATIONAL EDUCATION BASIC GRANT	TITLE II PART A TRAINING	TITLE III BILINGUAL ESL	GEAR UP 2012	CHILD CARE SERVICES GRANT	TITLE VI PART A
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
<u>121 753</u>	<u>113 689</u>	<u>363 205</u>	<u>166 926</u>	<u>327 331</u>	<u>3 783</u>	<u>5 577</u>
<u>121 753</u>	<u>113 689</u>	<u>363 205</u>	<u>166 926</u>	<u>327 331</u>	<u>3 783</u>	<u>5 577</u>
-	51 522	197 872	126 194	222 919	3 783	5 577
-	-	-	-	-	-	-
-	-	157 713	37 288	13 135	-	-
-	-	-	836	90 625	-	-
-	-	1 926	-	-	-	-
-	62 167	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
124 529	-	-	-	-	-	-
-	-	-	406	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	5 727	957	650	-	-
<u>124 529</u>	<u>113 689</u>	<u>363 238</u>	<u>165 681</u>	<u>327 329</u>	<u>3 783</u>	<u>5 577</u>
(2 776)	-	(33)	1 245	2	-	-
(4 306)	-	-	-	-	-	-
<u>\$ (7 082)</u>	<u>\$ -</u>	<u>\$ (33)</u>	<u>\$ 1 245</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED  
 For The Year Ended August 31, 2013

DATA CONTROL CODES		315 SSA IDEA-B DISCRET- IONARY	316 SSA IDEA B DEAF	317 SSA IDEA B PRESCHOOL DEAF	385 VISUALLY IMPAIRED
	Revenues:				
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	6 525
5900	Federal program revenues	15 116	22 663	2 321	-
5020	TOTAL REVENUES	<u>15 116</u>	<u>22 663</u>	<u>2 321</u>	<u>6 525</u>
	Expenditures:				
	Current:				
0011	Instruction	15 116	22 663	2 321	6 525
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and staff development	-	-	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-	-
0032	Social work	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food services	-	-	-	-
0036	Cocurricular/extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
6030	TOTAL EXPENDITURES	<u>15 116</u>	<u>22 663</u>	<u>2 321</u>	<u>6 525</u>
1200	NET CHANGE IN FUND BALANCES	-	-	-	-
0100	Fund balances - Beginning	-	-	-	-
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

404	410	429	435 SSA	461	499	SPECIAL REVENUE FUNDS (SEE EXHIBIT H-1)
STUDENT SUCCESS INITIATIVE	TEXT- BOOK FUND	READ TO SUCCEED	REGIONAL DAY SCHOOL FOR DEAF	CAMPUS ACTIVITY FUND	SCHOLAR- SHIP FUND	
\$ -	\$ -	\$ -	\$ -	\$ 278 271	\$ 321 273	\$ 1 311 348
28 693	7 285	47	162 863	-	-	255 208
-	-	-	-	-	-	9 178 218
<u>28 693</u>	<u>7 285</u>	<u>47</u>	<u>162 863</u>	<u>278 271</u>	<u>321 273</u>	<u>10 744 774</u>
28 693	10 073	-	113 803	161 047	86 056	3 994 907
-	-	-	-	45 873	73 389	119 262
-	-	-	-	-	2 500	972 867
-	-	-	49 060	-	-	257 200
-	-	-	-	19 221	-	21 851
-	-	-	-	209	-	178 064
-	-	-	-	-	-	50 970
-	-	-	-	-	274	46 557
-	-	-	-	1 340	-	1 340
-	-	-	-	80	-	5 060 506
-	-	-	-	53 780	104 829	164 902
-	-	-	-	330	-	330
-	-	-	-	299	22 611	22 910
-	-	-	-	45	-	45
-	-	-	-	-	1 203	14 443
<u>28 693</u>	<u>10 073</u>	<u>-</u>	<u>162 863</u>	<u>282 224</u>	<u>290 862</u>	<u>10 906 154</u>
-	(2 788)	47	-	(3 953)	30 411	(161 380)
-	2 991	-	-	154 055	86 560	1 136 111
\$ -	\$ 203	\$ 47	\$ -	\$ 150 102	\$ 116 971	\$ 974 731

#### 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, 2013

LAST 10 YEARS ENDED AUGUST 31,	(1) TAX RATES (2)		(3) ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES	
	MAINTENANCE	DEBT SERVICE		
2004 and prior years	Various	Various	\$	Various
2005	1.5000	0.0740	\$	1 726 724 854
2006	1.3700	0.0775	\$	1 790 772 765
2007	1.0400	0.0700	\$	1 836 150 217
2008	1.0400	0.0700	\$	1 910 367 297
2009	1.0400	0.1130	\$	2 350 252 286
2010	1 0400	0.1720	\$	2 057 448 119
2011	1.0400	0.1600	\$	2 085 170 500
2012	1.0400	0.1650	\$	2 123 601 212
2013 (School year under audit)	1.0400	0.1700	\$	2 142 161 488
TOTALS				

See independent auditor's report.

EXHIBIT J-1

(10) BEGINNING BALANCE 09/01/2012	(20) CURRENT YEAR'S TOTAL LEVY	(31) MAINTENANCE COLLECTIONS	(32) DEBT SERVICE COLLECTIONS	(40) ENTIRE YEAR'S ADJUSTMENTS	(50) ENDING BALANCE 08/31/2013
\$ 527 966	\$ -	\$ 47 236	\$ 1 692	\$ 42 221	\$ 521 259
89 958	-	8 943	477	1 573	82 111
122 628	-	12 279	606	2 309	112 052
130 052	-	16 729	946	2 496	114 873
108 329	-	22 340	1 504	1 458	85 943
130 974	-	25 726	2 795	6 502	108 955
227 298	-	55 199	9 129	10 237	173 207
373 390	-	77 242	11 883	11 047	295 312
1 011 372	-	225 010	35 699	29 243	779 906
-	25 920 154	21 830 729	3 568 495	152 594	673 524
<u>\$ 2 721 967</u>	<u>\$ 25 920 154</u>	<u>\$ 22 321 433</u>	<u>\$ 3 633 226</u>	<u>\$ 259 680</u>	<u>\$ 2 947 142</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS  
OF INDIRECT COST FOR 2013-2014  
GENERAL AND SPECIAL REVENUE FUNDS  
For the Year Ended August 31, 2013

EXHIBIT J-2

Function 41 - General Administration

Account Number	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
6100-6146	\$ -	\$ -	\$ 334 023	\$ -	\$ -	\$ 837 194	\$ 1 171 217
6211	129 114	-	-	-	-	-	129 114
6212	-	-	-	24 000	-	-	24 000
6213	-	409 668	-	-	-	-	409 668
621X	-	-	-	-	-	-	-
6220	-	-	-	-	-	-	-
6230	-	-	600	4 235	-	-	4 835
6240	-	-	-	-	-	5 411	5 411
6250	-	-	-	-	-	-	-
6260	-	-	-	-	-	26 790	26 790
6290	-	-	-	39 634	-	19 985	59 619
6310	-	-	-	-	-	-	-
6320	-	-	-	-	-	-	-
6330	-	-	-	-	-	-	-
63XX	884	-	-	-	-	92 063	92 947
6410	4 590	-	-	-	-	20 417	25 007
6420	-	-	-	-	-	27 834	27 834
6430	4 996	-	-	-	-	-	4 996
6490	141	-	-	-	-	61 033	61 174
6500	-	-	-	-	-	-	-
6600	-	-	-	-	-	-	-
Total	\$ 139 725	\$ 409 668	\$ 334 623	\$ 67 869	\$ -	\$ 1 090 727	\$ 2 042 612

Total expenditures for General and Special Revenue Funds	(9)	\$ 68 015 266
Less: Deductions of Unallowable Costs		
<u>FISCAL YEAR</u>		
Total Capital Outlay (6600)	(10)	3 841 413
Total Debt and Lease (6500)	(11)	4 853 484
Plant Maintenance (Function 51, 6100-6400)	(12)	28 520
Food (Function 35, 6341 and 6499)	(13)	2 444 489
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		67 869
Subtotal		11 235 775
Net Allowed Direct Cost		\$ 56 779 491
<u>CUMULATIVE</u>		
Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 116 469 330
Historical Cost of Buildings over 50 years old	(16)	\$ 19 664 215
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Equipment Before Depreciation (1530 & 1540)	(18)	\$ 11 763 378
Historical Cost of Furniture and Equipment over 16 years old	(19)	\$ 2 319 277
Amount of Federal Money in Furniture and Equipment (Net of #19)	(20)	\$ 214 705

Includes \$396,645 of Function 99 Expenditures

See independent auditor's report.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)  
 GENERAL FUND AS OF AUGUST 31, 2013

EXHIBIT J-3

1	Total general fund balance as of August 31 (object 3000 for the general fund only).	\$ 18 651 659
2	Total non-spendable fund balance (total of object 3400s for the general fund only).	127 717
3	Total restricted fund balance (total of object 3500s for the general fund only.)	-
4	Total committed fund balance (total of Object 351X-354X for general fund only).	-
5	Total assigned fund balance (total of Object 355X-359X for general fund only).	-
6	Estimated amount needed to cover fall cash flow deficits in the general fund (net of borrowed funds and funds Representing deferred revenues).	-
7	Estimate of two month's average cash disbursements during the regular school session (09/01-05/31).	13 802 224
8	Estimate of delayed payments from state sources (58xx) including August payment delays.	990 600
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-
10	Estimate of delayed payments from federal sources (59xx).	-
11	Estimate of expenditures to be reimbursed to general fund from capital projects fund (uses of general fund cash after Bond referendum and prior to issuance of bonds).	-
12	Optimum fund balance and cash flow (lines 2+3+4+5+6+7+8+9).	<u>14 920 541</u>
13	Excess (deficit) undesignated unreserved general fund balance (line 1 minus line 9.)	\$ <u>3 731 118</u>

See independent auditor's report.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
 BUDGETARY COMPARISON SCHEDULE  
 For the Year Ended August 31, 2013

EXHIBIT J-4

DATA CONTROL CODES	1	2	3	4	
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	
Revenues:					
5700	Local and intermediate sources	\$ 818 148	\$ 818 148	\$ 711 804	\$ (106 344)
5800	State program revenues	51 343	51 343	49 795	(1 548)
5900	Federal program revenues	3 966 744	4 216 744	4 149 962	(66 782)
5020	TOTAL REVENUES	<u>4 836 235</u>	<u>5 086 235</u>	<u>4 911 561</u>	<u>(174 674)</u>
Expenditures:					
Current:					
0035	Food services	4 719 881	5 027 257	4 935 897	91 360
6030	TOTAL EXPENDITURES	<u>4 719 881</u>	<u>5 027 257</u>	<u>4 935 897</u>	<u>91 360</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	116 354	58 978	(24 336)	(83 314)
0100	Fund balance - Beginning	<u>896 811</u>	<u>896 811</u>	<u>896 811</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 1 013 165</u>	<u>\$ 955 789</u>	<u>\$ 872 475</u>	<u>\$ (83 314)</u>

See independent auditor's report.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended August 31, 2013

EXHIBIT J-5

DATA CONTROL CODES	1	2	3	4	
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	
Revenues:					
5700	Local and intermediate sources	\$ 3 783 626	\$ 3 783 626	\$ 3 687 742	\$ (95 884)
5800	State program revenues	<u>952 279</u>	<u>952 279</u>	<u>907 863</u>	<u>(44 416)</u>
5020	TOTAL REVENUES	<u>4 735 905</u>	<u>4 735 905</u>	<u>4 595 605</u>	<u>(140 300)</u>
Expenditures:					
0071	Debit services	<u>4 772 343</u>	<u>4 772 344</u>	<u>4 772 894</u>	<u>(550)</u>
6030	TOTAL EXPENDITURES	<u>4 772 343</u>	<u>4 772 344</u>	<u>4 772 894</u>	<u>(550)</u>
1200	NET CHANGE IN FUND BALANCES	(36 438)	(36 439)	(177 289)	(140 850)
0100	Fund balance - Beginning	<u>1 166 567</u>	<u>1 166 567</u>	<u>1 166 567</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 1 130 129</u>	<u>\$ 1 130 128</u>	<u>\$ 989 278</u>	<u>\$ (140 850)</u>

See independent auditor's report.



AXLEY & RODE, LLP

CERTIFIED PUBLIC ACCOUNTANTS • SINCE 1949

CROCKETT - JASPER - LIVINGSTON - LUFKIN - NACOGDOCHES

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

Board of Trustees  
Lufkin Independent School District  
Lufkin, Texas

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lufkin Independent School District as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated January 14, 2014.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
January 14, 2014



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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 Circular A-133 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, 2013. Lufkin Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lufkin Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence and Lufkin Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Lufkin Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

## Report on Internal Control Over Compliance

Management of Lufkin Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lufkin Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lufkin Independent School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
January 14, 2014

LUFKIN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended August 31, 2013

PROGRAM	FINDINGS/NONCOMPLIANCE	QUESTIONED COSTS
	There were no prior audit findings.	N/A

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended August 31, 2013

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

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

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

Material control over major programs:

Material weakness(es) identified?  Yes  No

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster
84.048	Career and Technology Education
84.367	Improving Teacher Quality
84.365	English Language Acquisition
84.334	GEAR UP
32.001	Erate

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

B. SECTION II - Financial Statement Findings

NONE

C. SECTION III - Federal Award Findings and Questioned Costs

NONE

LUFKIN INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
For the Year Ended August 31, 2013

There were no current 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, 2013

EXHIBIT K-1  
PAGE 1 OF 2

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	(2) FEDERAL CFDA NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) FEDERAL EXPENDITURES
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through WorkForce Solutions Child Care Services:			
Child Care Services Grant *	93.575	82388	\$ 3 783
Passed through Health and Human Services Commission:			
Medicaid Administrative Claim Program *	93.778	003-903	<u>30 267</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>34 050</u>
U.S. DEPARTMENT OF EDUCATION:			
Passed through Stephen F. Austin State University:			
GEAR UP	84.334	P334A050251-11	327 331
Passed through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs *	84.010	13610101003903	2 362 941
IDEA - Part B, Formula *	84.027	136600010039036000	1 570 368
SSA IDEA - B, Discretionary *	84.027	136600020039036000	15 116
SSA IDEA - B, Deaf *	84.027	126600010039036000	23 061
Career and Technical - Basic Grant	84.048	134200060039030	115 547
IDEA - Part B, Preschool *	84.173	136610010039036000	22 734
SSA IDEA - Part B, Preschool Deaf *	84.173	136610010039036000	2 359
Title III, Part A - English Language Acquisition and Language Enhancement	84.365	13671001003903	169 799
ESEA, Title II, Part A - Teacher and Principal Training and Recruiting	84.367	13694501003903	369 579
Grants for Enhanced Assessment Instruments	84.368		5 577
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>4 984 412</u>
U.S. DEPARTMENT OF AGRICULTURE:			
Passed Through State Department of Human Services:			
Food Distribution	10.555	003-903	250 864
Summer Food Service Program	10.559	003-903	<u>138 827</u>
TOTAL PASSED THROUGH STATE DEPARTMENT OF HUMAN SERVICES			<u>389 691</u>
Passed Through State Department of Education:			
School Breakfast Program	10.553	71401001	1 212 411
National School Lunch Program	10.555	71301001	<u>2 669 613</u>
TOTAL PASSED THROUGH STATE DEPARTMENT OF EDUCATION			<u>3 882 024</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
 For the Year Ended August 31, 2013

EXHIBIT K-1  
 PAGE 2 OF 2

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	(2) FEDERAL CFDA NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) FEDERAL EXPENDITURES
Passed through Office of the Governor:			
Schools and Roads - Grants to Counties *	10.666	003-903	<u>13 193</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>4 284 908</u>
U.S. DEPARTMENT OF COMMERCE:			
E-Rate	32.000	003-903	<u>1 075 935</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 10 379 305</u>
* Indicates clustered program under OMB Circular A-133 Compliance Supplement			
Reconciliation to Exhibit C-2:			
Total per Exhibit K-1			\$ 10 379 305
Other Federal Revenue:			
School Health and Related Services (SHARS)			<u>411 511</u>
TOTAL FEDERAL REVENUE PER EXHIBIT C-2			<u>\$ 10 790 816</u>

See independent auditors' report.

The accompanying note is an integral part of this schedule.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2013

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lufkin Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in the preparation of, the general purpose financial statements.



LUFKIN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED  
 SCHOOL FIRST INDICATORS  
 As of August 31, 2013

Exhibit L-1

<u>DATA CONTROL CODES</u>		<u>RESPONSES</u>
SF2	Were there any disclosures in the Annual Financial Report and/ or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? 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?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on CAB's included in Government- Wide Statements at fiscal year-end.	\$ 1,038,079