

LUFKIN INDEPENDENT SCHOOL DISTRICT

Lufkin, Texas

ANNUAL FINANCIAL REPORT

For The Year Ended August 31, 2018

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INTRODUCTORY SECTION

LUFKIN INDEPENDENT SCHOOL DISTRICT  
CERTIFICATE OF BOARD  
August 31, 2018

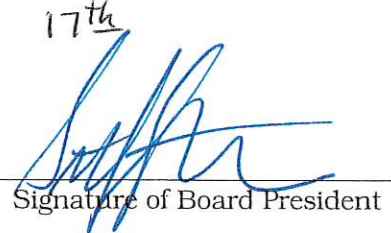
Lufkin Independent School District  
Name of School District

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, 2018, at a meeting of the Board of Trustees of such school district on the ~~15<sup>th</sup>~~ <sup>17<sup>th</sup></sup> day of January, 2019.

  
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, 2018, 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, 2018, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
January 15, 2019

## 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, 2018. 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 \$7,079,317 as of August 31, 2018.
- During the year, the District's expenses were \$8,214,167 less than the \$80,920,101 generated in taxes and other revenues for governmental activities. The total cost of the District's programs was \$72,705,934.
- As of the close of the current fiscal year, the District's general fund reported a fund balance of \$23,843,096, a decrease of \$1,702,620 in comparison with the prior year.
- The District's total debt increased by \$34,762,441 (74 percent) during the fiscal year. The key factor in this increase was the issuance of new debt for construction.

### 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 \$7,079,317 as of August 31, 2018. The following table provides a summary of the District's net position.

**The District's Net Position**

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 74 184 811	\$ 33 251 597
Capital and non-current assets	73 309 498	75 504 600
<b>TOTAL ASSETS</b>	<u>147 494 309</u>	<u>108 756 197</u>
Deferred outflows	8 635 238	7 570 187
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>156 129 547</u>	<u>116 326 384</u>
Other liabilities	12 314 752	4 311 129
Long term liabilities	121 723 376	65 423 495
<b>TOTAL LIABILITIES</b>	<u>134 038 128</u>	<u>69 734 624</u>
Deferred inflows	15 012 102	866 228
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<u>149 050 230</u>	<u>70 600 852</u>
Net Position:		
Investment in capital assets	26 800 763	29 356 991
Restricted	41 966 543	1 966 655
Unrestricted	(61 687 989)	14 401 886
<b>TOTAL NET POSITION</b>	<u>\$ 7 079 317</u>	<u>\$ 45 725 532</u>

The restricted net position reflects balances of \$1,957,768, \$15,630, and \$39,916,417 for grant programs, debt service, and capital projects, respectively. The \$(61,687,989) of unrestricted net position represents resources available to fund the programs of the District next year.

**Changes in Net Position.** The District's total revenues were \$80,920,101. A significant portion, 33 percent, of the District's revenue comes from taxes. 51 percent comes from state aid, while only 1 percent relates to charges for services.

The total cost of all programs and services was \$72,705,934, and 50 percent of these costs are for instruction, instructional resources and media services.

**GOVERNMENTAL ACTIVITIES**

The \$3,339,999 net decrease in revenues is primarily due to a decrease in miscellaneous revenues of \$2,017,996, and a decrease in operating grants and state aid of \$1,225,958. The decrease in miscellaneous revenues is primarily due to the contribution of a building received by the District in the prior year.

	<u>2018</u>	<u>2017</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 868 722	\$ 1 237 863
Operating grants and contributions	10 162 968	15 490 433
General Revenues:		
Property taxes	27 009 503	27 026 477
State aid	41 006 851	36 905 344
Investment earnings	486 245	196 175
Miscellaneous revenues	1 385 812	3 403 808
TOTAL REVENUES	<u>80 920 101</u>	<u>84 260 100</u>
Expenses:		
Instruction, instructional resources and media services	36 640 773	44 980 033
Curriculum and staff development	2 170 343	2 755 888
Instructional leadership	1 455 669	1 754 180
School leadership	3 927 943	4 799 418
Guidance, counseling and evaluation	2 056 093	2 479 793
Social work services	112 889	138 846
Health services	671 590	817 037
Student transportation	2 386 309	2569 994
Food service	5 024 473	4 703 835
Cocurricular/extracurricular activities	2 193 630	2 043 095
General administration	2 308 767	2 265 446
Facilities maintenance and operations	7 912 059	8 092 277
Security and monitoring services	879 929	934 421
Data processing services	2 278 173	1 379 084
Community services	55 321	51 915
Debt service	1 798 490	1 976 151
Capital Outlay	87 219	-
Payments to shared service arrangements	270 965	271 814
Other intergovernmental charges	475 299	476 098
TOTAL EXPENSES	<u>72 705 934</u>	<u>82 489 325</u>
CHANGE IN NET POSITION	<u>\$ 8 214 167</u>	<u>\$ 1 770 775</u>

The decrease of \$9,783,391 in expenses from the prior year is primarily due to decreases in instruction, instructional resources and media services, school leadership, general administration and data processing. The decrease was caused by the net adjustments for the Other Post Employee Benefit (OPEB) liability and deferral amounts in the current year.

The cost of all governmental activities this year was \$72,705,934. However, the amount that our taxpayers paid for these activities through property taxes was only \$27,009,503. Those who directly benefitted from the programs paid \$868,722 and grants and contributions paid \$10,162,968.

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

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

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$65,745,464. Less than one percent of the total or \$76,728 is considered nonspendable because it is not in spendable form. Sixty-four percent or \$41,889,315 of this total is restricted due to external limitations on its use. These uses include federal and state programs of \$1,423,067, capital acquisitions of \$40,450,618, and retirement of debt of \$15,630. The remaining thirty-six percent or \$23,779,421 is unassigned.

The District's governmental funds total fund balance increased by \$38,233,592 from the preceding year. This increase is primarily due to the bond proceeds on the new bond.

The general fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$23,779,421, while total fund balance was \$23,843,096. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents thirty-six percent of total general fund expenditures, while total fund balance represents thirty-six percent of that same amount.

Revenues from governmental fund types totaled \$80,697,267, a decrease of \$4,050 over the preceding year.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revised its budget when needed. Differences between the original and final amended budgets were significant for revenues and expenditures (\$2,024,495 increase in projected revenues and \$4,467,516 in projected expenditures). The increase in projected revenues was primarily due to increases in state revenues of \$1,528,615. The increase in projected expenditures was primarily the result of increases in facilities acquisition and construction of \$964,578 and student transportation of \$700,000.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2018, the District had invested \$73,309,498, in a broad range of capital assets, including land, buildings, vehicles, and equipment. This amount represents a net decrease (including additions and deductions) of \$2,195,102 or three percent over last year.

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

	2018	2017
Land	\$ 2 324 278	\$ 2 324 278
Buildings and improvements	122 326 431	122 115 468
Furniture and equipment	14 430 456	13 988 023
Construction in progress	920 824	383 664
TOTALS AT HISTORICAL COST	140 001 989	138 811 433
Less accumulated depreciation	(66 692 491)	(63 306 833)
NET CAPITAL ASSETS	\$ 73 309 498	\$ 75 504 600

**Long-term Debt**

At year end, the District had \$81,577,438 of bonds and capital leases outstanding as shown below. More detailed information about the District's debt is presented in the notes to the financial statements.

**District's Long-term Debt**

	2018	2017
Leases payable	\$ 1 500 899	\$ 1 490 005
Bonds payable	80 076 539	48 910 310
TOTAL BONDS AND NOTES	\$ 81 577 438	\$ 50 400 315

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

- Appraised values used for the 2019 budget preparation is up 6.65% from 2018.
- General operating fund spending per student increased in the 2019 budget from \$8,598 to \$9,654. This is an increase of 12% from 2018.
- The District's 2019 refined average daily attendance is expected to decrease from 2018. The student population has shown no significant growth for the past few years.

These indicators were taken into account when adopting the general fund budget for 2019. Amounts available for appropriation in the General Fund budget are \$68,692,190, an increase of 11.44% percent over the final 2018 budget of \$67,915,169.

If these estimates are realized, the District's budgetary general fund balance is expected to not change at the close of 2019.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

BASIC FINANCIAL STATEMENTS

LUFKIN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
August 31, 2018

EXHIBIT A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 67 823 928
1225	Property taxes receivable	1 584 271
1240	Due from other governments	4 626 324
1290	Other receivables	73 560
1300	Inventory	27 477
1410	Prepaid items	49 251
	Capital Assets:	
1510	Land	2 324 278
1520	Buildings and improvements, net	66 066 942
1530	Furniture and equipment, net	3 997 454
1580	Construction in progress	920 824
1000	TOTAL ASSETS	<u>147 494 309</u>
	Deferred Outflows:	
1700	Deferred charge on refunding	1 421 440
1700	Deferred outflows related to pensions	6 499 458
1700	Deferred outflows related to OPEB	714 340
	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>156 129 547</u>
	LIABILITIES	
2110	Accounts payable	636 434
2140	Interest payable	52 443
2150	Accrued liabilities	584
2160	Accrued wages payable	3 873 800
2180	Due to other governments	2 299 592
2300	Unearned revenue	44 167
2501	Due within one year	5 407 732
	Noncurrent Liabilities:	
2502	Due in more than one year	76 828 164
2516	Premium on issuance of bonds	5 608 311
2540	Net pension liability	12 743 869
2545	Net OPEB liability	26 543 032
2000	TOTAL LIABILITIES	<u>134 038 128</u>
	Deferred Inflows:	
2600	Deferred inflows related to pensions	3 909 101
2600	Deferred inflows related to OPEB	11 103 001
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>149 050 230</u>
	NET POSITION	
3200	Net investment in capital assets	26 800 763
	Restricted for:	
3820	Federal and state programs	2 034 496
3850	Debt service	15 630
3860	Capital projects	39 916 417
3900	Unrestricted	(61 687 989)
3000	TOTAL NET POSITION	<u>\$ 7 079 317</u>

The accompanying notes are an integral part of this statement.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2018

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	1 EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION GOVERNMENTAL ACTIVITIES
			3 CHARGES FOR SERVICES	4 OPERATING GRANTS AND CONTRIBUTIONS	
Governmental Activities:					
11	Instruction	\$ 35 951 564	\$ 82 483	\$ 4 110 289	\$ (31 758 792)
12	Instruction resources and media services	689 209	-	-	(689 209)
13	Curriculum and staff development	2 170 343	-	1 165 447	(1 004 896)
21	Instructional leadership	1 455 669	-	218 157	(1 237 512)
23	School leadership	3 927 943	-	69 086	(3 858 857)
31	Guidance, counseling, and evaluation services	2 056 093	-	127 799	(1 928 294)
32	Social work services	112 889	-	64 428	(48 461)
33	Health services	671 590	-	-	(671 590)
34	Student transportation	2 386 309	-	-	(2 386 309)
35	Food services	5 024 473	493 209	4 398 167	(133 097)
36	Co-curricular/extracurricular activities	2 193 630	293 030	1 000	(1 899 600)
41	General administration	2 308 767	-	-	(2 308 767)
51	Plant maintenance and operations	7 912 059	-	-	(7 912 059)
52	Security and monitoring services	879 929	-	-	(879 929)
53	Data processing services	2 278 173	-	-	(2 278 173)
61	Community services	55 321	-	8 595	(46 726)
72	Interest on long-term debt	1 334 644	-	-	(1 334 644)
73	Bond issuance costs and fees	463 846	-	-	(463 846)
81	Facilities acquisition and construction	87 219	-	-	(87 219)
93	Payments related to shared services arrangements	270 965	-	-	(270 965)
99	Other government charges	475 299	-	-	(475 299)
TG	TOTAL GOVERNMENTAL ACTIVITIES	<u>72 705 934</u>	<u>868 722</u>	<u>10 162 968</u>	<u>(61 674 244)</u>
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 72 705 934</u>	<u>\$ 868 722</u>	<u>\$ 10 162 986</u>	<u>(61 674 244)</u>
General Revenues:					
MT	Property taxes, levied for general purposes				26 034 356
DT	Property taxes, levied for debt service				975 147
IE	Investment earnings				486 245
GC	Grants and contributions not restricted to specific programs				41 006 851
MI	Miscellaneous				1 385 812
TR	TOTAL GENERAL REVENUES				<u>69 888 411</u>
CN	CHANGE IN NET POSITION				<u>8 214 167</u>
NB	Net position - Beginning				45 725 533
PA	Prior period adjustment				<u>(46 860 383)</u>
NE	NET POSITION - ENDING				<u>\$ 7 079 317</u>

The accompanying notes are an integral part of this statement.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
August 31, 2018

EXHIBIT C-1

DATA CONTROL CODES	10 GENERAL FUND	60 CAPITAL PROJECT FUND	OTHER GOVERN- MENTAL FUNDS	98 TOTAL GOVERN- MENTAL FUNDS	
<b>ASSETS</b>					
1110	Cash and cash equivalents	\$ 25 772 192	\$ 40 287 584	\$ 1 764 152	\$ 67 823 928
1225	Taxes receivable, net	1 469 649	-	114 622	1 584 271
1240	Due from other governments	3 165 523	-	1 460 801	4 626 324
1260	Due from other funds	1 135 261	-	-	1 135 261
1290	Other receivables	69 824	-	3 736	73 560
1300	Inventory	14 424	-	13 053	27 477
1410	Prepaid expenditures	49 251	-	-	49 251
1000	<b>TOTAL ASSETS</b>	<u>\$ 31 676 124</u>	<u>\$ 40 287 584</u>	<u>\$ 3 356 364</u>	<u>\$ 75 320 072</u>
<b>LIABILITIES</b>					
Current Liabilities:					
2110	Accounts payable	\$ 467 482	\$ 90 300	\$ 78 652	\$ 636 434
2150	Payroll deductions and withholdings	90	-	494	584
2160	Accrued wages payable	3 552 048	-	321 752	3 873 800
2170	Due to other funds	-	280 867	854 394	1 135 261
2180	Due to other governments	2 299 592	-	-	2 299 592
2000	<b>TOTAL LIABILITIES</b>	<u>6 319 212</u>	<u>371 167</u>	<u>1 255 292</u>	<u>7 945 671</u>
Deferred Inflows:					
2600	Unavailable revenue	1 513 816	-	114 621	1 628 437
2000	<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<u>7 833 028</u>	<u>371 167</u>	<u>1 369 913</u>	<u>9 574 108</u>
Fund Balances:					
Nonspendable Fund Balance:					
3410	Inventories	14 424	-	13 053	27 477
3430	Prepaid items	49 251	-	-	49 251
Restricted Fund Balances:					
3450	Federal/state funds grant restrictions	-	-	1 423 067	1 423 067
3470	Capital acquisitions and contractual obligations	-	39 916 417	-	39 916 417
3480	Retirement of long-term debt	-	-	15 630	15 630
3490	Other restrictions of fund balance	-	-	534 701	534 701
Assigned Fund Balances:					
3570	Capital expenditures for equipment	200 000	-	-	200 000
3590	Other assigned fund balance	4 475 527	-	-	4 475 527
3600	Unassigned	19 103 894	-	-	19 103 894
3000	<b>TOTAL FUND BALANCES</b>	<u>23 843 096</u>	<u>39 916 417</u>	<u>1 986 451</u>	<u>65 745 964</u>
4000	<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<u>\$ 31 676 124</u>	<u>\$ 40 287 584</u>	<u>\$ 3 356 364</u>	<u>\$ 75 320 072</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, 2018

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET		\$ 65 745 964
Amounts Reported for Governmental Activities in the Statement of Net Position (SNP) are Different Because:		
Capital assets used in governmental activities are not reported in the funds.		73 309 498
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		1 584 270
Payables for long term debt, including premium, which are not due in the current period are not reported in the funds.		(87 844 207)
Payables for long term debt interest which are not due in the current period are not reported in the funds.		(52 443)
The deferred charge on refunding is not reported in the funds.		1 421 440
District's proportionate share of the collective net pension liability is not reported in the funds.		(12 743 869)
District's proportionate share of the collective OPEB liability is not reported in the funds.		(26 543 032)
District's proportionate share of the collective deferred inflows/outflows of resources related to pension and OPEB plans is not reported in the funds.		<u>(7 798 304)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION		<u>\$ 7 079 317</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, 2018

EXHIBIT C-2

DATA CONTROL CODES		10	60	OTHER GOVERN- MENTAL FUNDS	98 TOTAL GOVERN- MENTAL FUNDS
		GENERAL FUND	CAPITAL PROJECT FUND		
Revenues:					
5700	Local and intermediate sources	\$ 27 059 308	\$ 12 954	\$ 2 584 586	\$ 29 656 848
5800	State program revenues	39 843 892	-	969 500	40 813 392
5900	Federal program revenues	930 607	-	9 425 820	10 356 427
5020	TOTAL REVENUES	<u>67 833 807</u>	<u>12 954</u>	<u>12 979 906</u>	<u>80 826 667</u>
Expenditures:					
Current:					
0011	Instruction	36 845 826	-	4 647 186	41 493 012
0012	Instructional resources and media services	711 198	-	44 075	755 273
0013	Curriculum and staff development	1 272 579	-	1 165 452	2 438 031
0021	Instructional leadership	1 434 326	-	218 547	1 652 873
0023	School leadership	4 480 332	-	137 395	4 617 727
0031	Guidance, counseling and evaluation services	2 275 651	-	128 167	2 403 818
0032	Social work	67 882	-	64 428	132 310
0033	Health services	777 369	-	314	777 683
0034	Student transportation	2 531 188	-	-	2 531 188
0035	Food services	-	-	4 643 565	4 643 565
0036	Co-curricular/extracurricular activities	1 856 775	-	158 208	2 014 983
0041	General administration	2 339 686	-	4 556	2 344 242
0051	Plant maintenance and operations	7 390 807	216 229	300	7 607 336
0052	Security and monitoring services	989 791	-	3 160	992 951
0053	Data processing services	2 030 597	-	-	2 030 597
0061	Community services	27 392	-	19 867	47 259
0071	Debt service	654 477	-	4 917 813	5 572 290
0081	Facilities acquisition and construction	483 587	387 522	21 367	892 476
0093	Payments to shared service arrangements	270 965	-	-	270 965
0099	Other governmental charges	475 299	-	-	475 299
6030	TOTAL EXPENDITURES	<u>66 915 727</u>	<u>603 751</u>	<u>16 174 400</u>	<u>83 693 878</u>
1100	EXCESS REVENUE OVER EXPENDITURES	<u>918 080</u>	<u>(590 797)</u>	<u>(3 194 494)</u>	<u>(2 867 711)</u>
Other Financing Sources (Uses):					
7911	Issuance of bonds	-	40 000 000	4 350 000	44 350 000
7913	Issuance of capital leases	629 300	-	-	629 300
7915	Transfers in	-	-	3 250 000	3 250 000
7916	Premium on issuance of bonds	-	-	2 977 156	2 977 156
8911	Transfers out	(3 250 000)	-	-	(3 250 000)
8949	Payment to refunded bonds escrow agent	-	-	(6 855 653)	(6 855 653)
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>(2 620 700)</u>	<u>40 000 000</u>	<u>3 721 503</u>	<u>41 100 803</u>
1200	NET CHANGE IN FUND BALANCES	(1 702 620)	39 409 203	527 009	38 233 592
0100	Fund balance - Beginning	25 545 716	507 214	1 459 442	27 512 372
3000	FUND BALANCE - ENDING	<u>\$ 23 843 096</u>	<u>\$ 39 916 417</u>	<u>\$ 1 986 451</u>	<u>\$ 65 745 964</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, 2018

EXHIBIT C-3

Net change in fund balances - Total governmental funds	\$ 38 233 592
Amounts Reported for Governmental Activities in the Statement of Activities ("SOA") are Different Because:	
Capital outlays are not reported as expenses in the SOA.	1 190 556
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3 385 658)
Certain property tax revenues are unavailable; therefore, they are deferred inflows of resources in the funds. This is the change in these amounts this year.	93 434
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2 945 581
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	618 406
Amount represents the (increase) decrease in accrued interest from beginning of period to end of period.	10 296
Proceeds of bonds do not provide revenue in the SOA, but are reported as an other financing source in the funds.	(40 271 986)
Proceeds of leases do not provide revenue in the SOA, but are reported as an other financing source in the funds.	(629 300)
Pension activity, including deferrals and net pension liability, are not due and payable in the current period and, therefore, are not recorded in the funds.	(519 444)
OPEB activity, including deferrals and net OPEB liability, are not due and payable in the current period and, therefore, are not recorded in the funds.	<u>9 928 690</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	<u>\$ 8 214 167</u>

The accompanying notes are an integral part of this statement.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
August 31, 2018

EXHIBIT E-1

DATA CONTROL CODES		AGENCY FUNDS
	ASSETS	
1110	Cash and cash equivalents	\$ 246 498
1000	TOTAL ASSETS	246 498
	LIABILITIES	
	Current Liabilities:	
2190	Due to student groups	246 498
2000	TOTAL LIABILITIES	246 498
3000	TOTAL NET POSITION	\$ -

The accompanying notes are an integral part of this statement.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2018

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" and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

Basis of Presentation:

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

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

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

The District reports the following major governmental funds:

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

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

In addition, the District reports the following fund types:

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

3. Financial Statement Amounts

Property Taxes:

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Allowances of uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. At August 31, 2018, the allowance for uncollectible property taxes was \$678,973.

**Inventories and Prepaid Items:**

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

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

**Capital Assets:**

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

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

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

**Deferred Outflows/Inflows of Resources:**

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

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

For the year ended August 31, 2018, the District has items that qualify for reporting as deferred outflows of resources and deferred inflows of resources. The District reported on the government-wide statement of net position a deferred charge on refunding related to refunding bonds. A deferred charge on refunding relates from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports the deferred outflows and inflows related to the TRS net pension and OPEB liability on the government-wide statement of net position. TRS outflows and inflows are detailed in Note I. On the governmental funds balance sheet, the unavailable property tax revenue is reported as a deferred inflow of resources. This revenue is recognized in the period in which the revenue becomes available.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Receivable and Payable Balances:

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

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

Interfund Activity:

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

Use of Estimates:

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

Data Control Codes:

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

Fund Balances - Governmental Funds:

Fund balances of the governmental funds are classified as follows:

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

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

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



LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Net Position Flow Assumption:

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

Fund Balance Flow Assumptions:

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

4. Pensions:

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Other Post-Employment Benefits:

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

NOTE B - COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

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

VIOLATION	ACTION TAKEN
None	None

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

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

FUND NAME	DEFICIT AMOUNT	REMARKS
None reported	Not applicable	Not applicable

NOTE C - DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At August 31, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$68,062,899. The District's cash deposits at August 31, 2018 were entirely covered by FDIC insurance or by pledged collateral held by the pledging institution's agent bank in the District's name.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE C - DEPOSITS AND INVESTMENTS - CONTINUED

2. Investments:

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

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

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

The District's investments at August 31, 2018 are shown below.

INVESTMENT OR INVESTMENT TYPE	MATURITY	AMOUNT
Cash Equivalents - Money Market		
Mutual Funds:		
TexPool	30 days	\$ 24 200 682
TOTAL INVESTMENTS		\$ 24 200 682

3. Analysis of Specific Deposit and Investment Risks:

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

Credit Risk:

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

The District's investment policy does not limit its investment in public funds investment pools based on credit ratings. At August 31, 2018, the District's investment in TexPool was rated AAAM as to credit quality by Standard & Poor's.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2018

NOTE C - DEPOSITS AND INVESTMENTS - CONTINUED

Custodial Credit Risk:

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

Interest Rate Risk:

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

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

Investment Accounting Policy:

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

Public Funds Investment Pools:

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

TexPool:

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2018

NOTE D - CAPITAL ASSETS

Capital asset activity for the period ended August 31, 2018, was as follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BEGINNING BALANCES</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCES</u>
Capital Assets Not Being Depreciated:				
Land	\$ 2 324 278	\$ -	\$ -	\$ 2 324 278
Construction in progress	383 664	824 360	(226 520)	981 504
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>2 707 942</u>	<u>824 360</u>	<u>(226 520)</u>	<u>3 305 782</u>
Capital Assets Being Depreciated:				
Buildings and improvements	122 115 468	210 963	-	122 326 431
Furniture and equipment	13 988 023	442 433	-	14 430 456
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>136 103 491</u>	<u>653 396</u>	<u>-</u>	<u>136 756 887</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(53 720 817)	(2 538 672)	-	(56 259 489)
Furniture and equipment	(9 586 016)	(846 986)	-	(10 433 002)
TOTAL ACCUMULATED DEPRECIATION	<u>(63 306 833)</u>	<u>(3 385 658)</u>	<u>-</u>	<u>(66 692 491)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>72 796 658</u>	<u>(2 732 262)</u>	<u>-</u>	<u>70 064 396</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 75 504 600</u>	<u>\$ (1 907 902)</u>	<u>\$ (226 520)</u>	<u>\$ 73 370 178</u>

Depreciation was charged to functions as follows:

Instruction	\$ 738 588
Instructional resources and media services	31 454
Curriculum and staff development	63 850
Instructional leadership	32 724
School leadership	23 793
Guidance, counseling, and evaluation services	18 839
Health services	9 643
Student transportation	126 928
Food services	599 005
Cocurricular/extracurricular activities	290 396
General administration	190 705
Plant maintenance and operations	874 912
Security and monitoring services	45 635
Data processing services	330 192
Community services	8 994
	<u>\$ 3 385 658</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2018

**NOTE E - INTERFUND BALANCES AND ACTIVITIES**

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2018, consisted of the following:

DUE TO FUND	DUE FROM FUND	AMOUNT	PURPOSE
General fund	Capital project fund	\$ 280 867	Short-term advances
	TOTAL	\$ 280 867	

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

2. Transfers To and From Other Funds

TRANSFER TO FUND	TRANSFER FROM FUND	AMOUNT	PURPOSE
General fund	Debt service	\$ 3 250 000	Pay debt service
	TOTAL	\$ 3 250 000	

**NOTE F - DUE TO/DUE FROM OTHER GOVERNMENTS**

Due from other governments consisted of the following at August 31, 2018:

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
Due from State - Days of instruction	\$ 250 173	\$ -	\$ 250 173
Due from State - Foundation revenue	2 696 521	-	2 696 521
Due from State - Grant programs	-	1 460 801	1 460 801
Due from Federal Agencies	218 829	-	218 829
TOTAL	\$ 3 165 523	\$ 1 460 801	\$ 4 626 324

At August 31, 2018, due to other governments consisted of \$2,299,592 for EDA revenue.

**NOTE G - LONG-TERM OBLIGATIONS**

1. Long-Term Obligation Activity:

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2018, are as follows:

GOVERNMENTAL ACTIVITIES	BALANCE 08/31/2017	INCREASES	DECREASES	BALANCE 08/31/2018	AMOUNTS DUE WITHIN ONE YEAR
Series 2009 Bonds	\$ 7 505 000	\$ -	\$ (7 505 000)	\$ -	\$ -
Premium	188 606	-	(188 606)	-	-
Series 2012 Bonds	5 880 000	-	-	5 880 000	1 435 000
Premium	115 713	-	(23 143)	92 570	-
Series 2014 Bonds	5 110 000	-	(1 915 000)	3 195 000	615 000
Premium	488 964	-	(69 852)	419 112	-
Series 2015 Bonds	8 440 000	-	-	8 440 000	-
CAB	114 997	-	(73 453)	41 544	41 544
Premium	955 542	-	(45 502)	910 040	-
CAB - Accretion	439 928	-	(56 472)	383 456	383 456
Deferral on refunding	(722 363)	-	34 398	(687 965)	-
Series 2016 Bonds	8 795 000	-	(45 000)	8 750 000	50 000
CAB	314 999	-	-	314 999	-
Premium	645 704	-	(80 713)	564 991	-
CAB - Accretion	7 501	-	7 500	15 001	7 500
Deferral on refunding	(357 739)	-	21 287	(336 452)	-
Series 2017 Bonds	8 880 000	-	(60 000)	8 820 000	-
CAB	284 996	-	-	284 996	284 996
Premium	678 360	-	(33 918)	644 442	-
CAB - Accretion	65 000	-	195 002	260 002	260 002
Deferral on refunding	(234 740)	-	10 670	(224 070)	-
Series 2018 Bonds	-	44 350 000	-	44 350 000	1 705 000
Premium	-	2 977 156	-	2 977 156	-
Deferral on refunding	-	(172 953)	-	(172 953)	-
Capital leases	1 490 005	629 300	(618 406)	1 500 899	625 234
TOTAL GOVERNMENTAL ACTIVITIES	\$ 49 085 473	\$ 47 783 503	\$ (10 446 208)	\$ 86 422 768	\$ 5 407 732

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2018

NOTE G - LONG-TERM OBLIGATIONS - CONTINUED

Reconciliation from schedule above to Exhibit A-1:

Bonds payable current	\$ 4 131 540
Capital lease current	625 234
CAB accreted interest current	650 958
TOTAL DUE WITHIN ONE YEAR - 2501	5 407 732
Bonds payable long-term	75 944 999
Capital lease long-term	875 665
CAB accreted interest long-term	7 501
TOTAL DUE IN MORE THAN ONE YEAR - 2502	76 828 165
TOTAL PREMIUM ON ISSUANCE OF BONDS - 2516	5 608 311
TOTAL DEFERRED CHARGES ON REFUNDING - 1700	(1 421 440)
TOTAL SCHEDULE ABOVE	\$ 86 422 768

2. Bonds Payable:

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

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

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

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

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

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

Advanced Refunding:

The District issued \$44,350,000 of Unlimited Tax School Building and Refunding bonds, Series 2018, to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payment on the refunded bonds and to provide funding for capital improvements. The refunding net proceeds of \$6,065,000 (after issuance costs of \$53,633, plus premium of \$844,980) were used to advance refund a portion of the Unlimited Tax School Building Bonds Series 2008 bond with a total principal amount of \$7,505,000 and interest ranging from 3.25% - 5.00%. As a result, the refunded portion of the bonds are considered to be defeased and the liability has been removed from the government-wide financial statements.

This advance refunding was undertaken to reduce total debt service payments over the next ten years by \$659,130 and resulted in an economic gain of \$546,477.

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE G - LONG-TERM OBLIGATIONS - CONTINUED

EXCERPT FROM GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES

	BUILDING BOND	REFUNDING BOND	TOTAL
Other financial sources (uses):			
Proceeds of refunding bonds	\$ 38 285 000	\$ 6 065 000	\$ 44 350 000
Proceed premium on bond issue	2 132 176	844 980	2 977 156
Payment to refunded bond escrow agent	-	(6 855 653)	(6 855 653)

Debt service requirements on long-term debt at August 31, 2018, are as follows:

YEAR ENDING AUGUST 31,	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2019	\$ 4 131 540	\$ 3 568 256	\$ 7 699 796
2020	3 824 999	2 710 919	6 535 918
2021	4 150 000	2 576 455	6 726 455
2022	4 140 000	2 470 955	6 610 955
2023	2 960 000	2 346 255	5 306 255
2024-2028	13 305 000	9 917 254	23 222 254
2029-2033	16 240 000	7 140 025	23 380 025
2034-2038	19 195 000	4 182 840	23 377 840
2039-2043	12 130 000	1 195 443	13 325 443
TOTALS	\$ 80 076 539	\$ 36 108 402	\$ 116 184 941

3. Capital Leases:

At August 31, 2018, the District has several capital lease agreements. The details of those agreements are as follows:

LESSOR	ASSET LEASED	INTEREST RATE
Regions Commercial Equipment Finance, LLC	Scoreboard	3.79%
Citizens National Bank	Buses	2.18%
Dell Financial Services	Computers	0.31%
Dell Financial Services	Computers	4.73%

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

ASSET	GOVERNMENTAL ACTIVITIES
Furniture and equipment	\$ 1 309 952
Less: Accumulated depreciation	(331 237)
TOTAL	\$ 978 715

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

Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of August 31, 2018, as follows:

YEAR ENDING AUGUST 31,	
2019	\$ 655 575
2020	632 328
2021	224 975
2022	59 411
TOTAL MINIMUM RENTALS	1 572 289
Less amount representing interest	(71 390)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$ 1 500 899

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



LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2018

NOTE H - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year 2018, the District Participated in the Texas Association of Public Schools Property and Liability Fund (TAPS) and the TASB Risk Management Fund (the Fund), public entity risk pools, to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

TAPS was created in accordance with the Interlocal Cooperation Act, Chapters 791 and 2259 of the Texas Government Code. Members execute Interlocal Participation Agreements that define the responsibilities of the parties. The District paid an annual premium to TAPS for its property, automobile, and liability coverages. In fiscal year 2018, members were assessed a loss fund charge of approximately 10% of their annual premium for the 2016-2017 fund year. If the assets of TAPS were to be exhausted, members would be contingently liable for the portion of the liability applicable to their entity. Independent auditors conduct a financial audit at the close of the plan year. Based on correspondence received by the District, TAPS did not have adequate assets to cover all liabilities as of the most recent audit. See Note L for information on the contingency related to TAPS.

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

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

The Workers' Compensation program is authorized by Chapter 504 of the Texas Labor Code. The Fund provides statutory workers' compensation benefits to its members' injured employees. The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of \$2,000,000. The fund uses the services of an independent actuary to determine the reserve adequacy and fully funds those reserves. As of August 31, 2017, the Fund carries a discounted reserve of \$49,076,113 for future development on reported claims and claims that have been incurred but not yet reported.

For the year ended August 31, 2018, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payments of contributions for all programs in which it participates.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance.

NOTE I - PENSION PLAN

1. Plan Description:

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE I - PENSION PLAN - CONTINUED

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

2. Pension Plan Fiduciary Net Position:

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; on the internet at, [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2017.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2017.pdf); or by calling 512.542.6592.

3. Benefits Provided:

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

4. Contributions:

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 84<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	CONTRIBUTION RATES	
	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer Contributions - 2018		\$ 1 366 667
Member Contributions - 2018		\$ 3 895 821
NECE On-behalf Contributions - 2017		\$ 2 467 374

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE I - PENSION PLAN - CONTINUED

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

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

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

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

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

5. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases	3.50% to 9.50% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2018

NOTE I - PENSION PLAN - CONTINUED

6. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION*</u>	<u>LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN</u>	<u>EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS**</u>
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	-	1.8%	-
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	(0.2)%	-
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	-
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	-	1.2%	-
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<u>100%</u>		<u>8.7%</u>

\* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contribution to long-term portfolio returns.

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE I - PENSION PLAN - CONTINUED

For the fiscal year ended August 31, 2017, the annual money-weighted rate of return on pension plan investments was 12.98 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

7. Discount Rate Sensitivity Analysis

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

	1% DECREASE IN DISCOUNT RATE (7.0%)	DISCOUNT RATE (8.0%)	1% INCREASE IN DISCOUNT RATE (9.0%)
District proportionate share of the net pension liability	\$ 21 483 645	\$ 12 743 869	\$ 5 466 587

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

At August 31, 2018, the District reported a liability of \$12,743,869 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 12 743 869
State's proportionate share that is associated with the District	<u>24 122 414</u>
TOTAL	<u>\$ 36 866 283</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the District's proportion of the collective net pension liability was 0.0399% which was an increase of 0.0001% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$1,839,962 and revenue of \$1,839,962 for support provided by the State.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE I - PENSION PLAN - CONTINUED

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 186 449	\$ 687 260
Changes in actuarial assumptions	580 503	332 325
Difference between projected and actual investment earnings	1 959 859	2 888 604
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2 405 980	912
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	1 366 667	-
TOTAL	\$ 6 499 458	\$ 3 909 101

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

YEAR ENDED AUGUST 31,	PENSION EXPENSE
2019	\$ 189 901
2020	\$ 1 003 375
2021	\$ 127 397
2022	\$ (120 844)
2023	\$ 32 544
Thereafter	\$ (8 683)

NOTE J - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

A. Plan Description

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

B. OPEB Plan Fiduciary Net Position

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

C. Benefits Provided

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A & B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

<b>TRS-Care Plan Premium Rates</b>			
Effective September 1, 2016 - December 31, 2017			
	<b>TRS-Care 1</b>	<b>TRS-Care 2</b>	<b>TRS-Care 3</b>
	<b>Basic Plan</b>	<b>Optional Plan</b>	<b>Optional Plan</b>
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

\* or surviving spouse

D. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

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

	<u>Contribution Rates</u>	
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
Employer Contributions - 2018	\$ 710 186	
Member Contributions - 2018	\$ 328 867	
NECE On-behalf Contributions - 2017	\$ 438 436	

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

E. Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

**Actuarial Methods and Assumptions:**

<b>Valuation Date</b>	August 31, 2017
<b>Methods and Assumptions:</b>	
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Single Discount Rate	3.42% as of August 31, 2017
Demographic Assumptions	Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2014.
Mortality Assumption	The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using Scale BB.
Healthcare Trend Rates	Initial medical trend rates of 7.00% for non-Medicare retirees and 10.00% for Medicare retirees. Initial prescription drug trend rate of 12.00% for all retirees.
Election Rates	Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years. Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Aging Factors	Based on plan specific experience.
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

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



LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2018

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

**Other Information:** There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

F. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44 % in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. ***The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.***

<b>Teacher Retirement System of Texas</b>			
<b>Asset Allocation and Long-Term Expected Rate of Return</b>			
<b>As of August 31, 2017</b>			
<b>Asset Class</b>	<b>Target Allocation*</b>	<b>Long-Term Expected Geometric Real Rate of Return</b>	<b>Expected Contribution to Long-Term Portfolio Returns**</b>
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	- %	1.8%	- %
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	(0.2)%	- %
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	- %
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources Commodities	3%	6.6%	0.2%
	- %	1.2%	- %
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>TOTAL</b>	<u>100%</u>		<u>8.7%</u>

*\*Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contribution to long-term portfolio returns.*

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

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

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the Net OPEB Liability	\$ 31 327 368	\$ 26 543 032	\$ 22 697 506

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

At August 31, 2018, the District reported a liability of \$26,543,032 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provide to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability		\$ 26 543 032
State's proportionate share that is associated with the District		36 672 199
TOTAL		\$ 63 215 231

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017, the employer's proportion of the collective Net OPEB Liability was 0.0610% which was the same proportion measured as of August 31, 2016.

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

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

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

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

2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$12,271,493 and revenue of \$12,271,493 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 554 106
Changes in actuarial assumptions	-	10 548 895
Difference between projected and actual investment earnings	4 032	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	122	-
Contributions paid to TRS subsequent to the measurement date	710 186	-
TOTAL	\$ 714 340	\$ 11 103 001

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

YEAR ENDED AUGUST 31,	OPEB EXPENSE AMOUNT
2019	\$ (1 464 505)
2020	\$ (1 464 505)
2021	\$ (1 464 505)
2022	\$ (1 464 505)
2023	\$ (1 465 513)
Thereafter	\$ (3 775 314)

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE K - COMMITMENTS AND CONTINGENCIES

1. Construction Commitments:

The District had commitments on its uncompleted construction contracts as of August 31, 2018 as follows:

PROJECT	CONTRACTOR	AMOUNT
Federal building	Goodwin Lasiter Strong	\$ 247 428
Coston Elementary roofing	Goodwin Lasiter Strong	\$ 247 872
Bond preparation costs	Goodwin Lasiter Strong	\$ 108 087
LHS track	General Sports Surfacing LLC	\$ 317 438

2. Lease Commitment:

The District accounted for a non-cancelable lease agreement for copiers as an operating lease. Future minimum lease payments as of August 31, 2018 are as follows:

YEAR ENDED AUGUST 31,	FUTURE PAYMENTS
2019	\$ <u>762</u>

Rental expenditures for the District's copier lease totaled \$177,925.

3. Contingencies:

Grant Programs

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

TAPS

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

4. Litigation:

No reportable litigation was pending against the District at August 31, 2018.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE L - SHARED SERVICES ARRANGEMENTS

Shared Services Arrangement - Fiscal Agent:

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

MEMBER DISTRICTS	REGIONAL DAY SCHOOL	ECHS
Lufkin ISD	\$ 91 500	\$ 4 086
Hudson ISD	31 000	1 377
Diboll ISD	13 000	931
Huntington ISD	11 500	842
Central ISD	11 000	785
Zavalla ISD	13 000	208
Woodville ISD	6 500	-
Broaddus ISD	32 500	-
San Augustine ISD	6 500	-
Big Sandy ISD	5 450	-
Trinity ISD	6 500	-
TOTAL	\$ 228 450	\$ 8 229

Shared Service Arrangement - Membership:

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

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

NOTE M - SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through January 15, 2019, the date the statements were available to be issued.

NOTE N - PRIOR PERIOD ADJUSTMENT

With the implementation of GASB 74, the District recognized a prior period adjustment of \$46,860,383 for previously unrecognized Other Post-Employment Benefits (OPEB) in the government-wide statements.

#### 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, 2018

EXHIBIT G-1

DATA CONTROL CODES		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
Revenues:					
5700	Local and intermediate sources	\$ 26 356 913	\$ 26 856 913	\$ 27 059 308	\$ 202 395
5800	State program revenues	40 812 756	40 963 346	39 718 385	(1 244 961)
5900	Federal program revenues	745 500	745 500	930 607	185 107
5020	TOTAL REVENUES	<u>67 915 169</u>	<u>68 565 759</u>	<u>67 708 300</u>	<u>(857 459)</u>
Expenditures:					
Current:					
0011	Instruction	36 661 786	37 022 715	36 764 451	258 264
0012	Instructional resources and media services	734 767	721 017	709 897	11 120
0013	Curriculum and staff development	1 318 225	1 363 966	1 267 884	96 082
0021	Instructional leadership	1 470 454	1 468 047	1 431 158	36 889
0023	School leadership	4 576 434	4 566 831	4 470 667	96 164
0031	Guidance, counseling and evaluation services	2 285 515	2 294 144	2 270 650	23 494
0032	Social work	64 463	74 471	67 604	6 867
0033	Health services	729 940	776 167	775 814	353
0034	Student transportation	2 534 518	3 234 518	2 527 596	706 922
0036	Co-curricular/extracurricular activities	1 725 480	1 902 515	1 855 247	47 268
0041	General administration	2 078 214	2 366 512	2 336 567	29 945
0051	Plant maintenance and operations	7 270 606	7 781 893	7 383 324	398 569
0052	Security and monitoring services	845 665	1 029 665	988 166	41 499
0053	Data processing services	1 407 250	2 093 958	2 029 489	64 469
0061	Community services	39 800	39 975	27 378	12 597
0071	Debit services	194 000	656 661	654 477	2 184
0081	Facilities acquisition and construction	-	964 578	483 587	480 991
0093	Payments shared service arrangements	252 813	277 813	270 956	6 848
0099	Other government charges	490 000	512 000	475 299	36 701
6030	TOTAL EXPENDITURES	<u>64 679 930</u>	<u>69 147 446</u>	<u>66 790 220</u>	<u>2 357 226</u>
1100	EXCESS REVENUE OVER EXPENDITURES	<u>3 235 239</u>	<u>(581 687)</u>	<u>918 080</u>	<u>1 499 767</u>
Other Financing Sources (Uses):					
7913	Capital lease proceeds	-	-	629 300	629 300
8925	Transfers out	-	-	(3 250 000)	(3 250 000)
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(2 620 700)</u>	<u>(2 620 700)</u>
1200	NET CHANGE IN FUND BALANCES	3 235 239	(581 687)	(1 702 620)	(1 120 933)
0100	Fund balance - Beginning	25 545 716	25 545 716	25 545 716	-
3000	FUND BALANCE - ENDING	<u>\$ 28 780 955</u>	<u>\$ 24 964 029</u>	<u>\$ 23 843 096</u>	<u>\$ (1 120 933)</u>

See independent auditors' report.

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

EXHIBIT G-2

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0399%	0.0398%	0.0410%	0.0263%
District's proportionate share of the net pension liability (asset)	\$ 12 743 869	\$ 15 023 180	\$ 14 481 890	\$ 7 027 070
State's proportionate share of the net pension liability (asset) associated with the District	<u>24 122 414</u>	<u>28 891 803</u>	<u>28 512 444</u>	<u>26 024 935</u>
TOTAL	<u>\$ 36 866 283</u>	<u>\$ 43 914 983</u>	<u>\$ 42 994 334</u>	<u>\$ 33 052 005</u>
District's covered-employee payroll	\$ 48 259 514	\$ 47 407 377	\$ 46 514 382	\$ 45 682 704
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	26.41%	31.69%	31.13%	15.38%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

Information provided by the Teacher Retirement System of Texas.

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

See independent auditors' report.



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

EXHIBIT G-3

	2018	2017	2016	2015
Contractually required contribution	\$ 1 366 667	\$ 1 306 254	\$ 1 263 147	\$ 1 213 100
Contributions in relation to the contractually required contribution	(1 366 667)	(1 306 254)	(1 263 147)	(1 213 100)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 50 277 113	\$ 48 914 468	\$ 47 407 377	\$ 46 514 382
Contributions as a percentage of Covered payroll	2.72%	2.67%	2.66%	2.61%

Information provided by the Teacher Retirement System of Texas.

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

See independent auditors' report.

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

EXHIBIT G-6

<b>District's Proportionate Share of Liability</b>	<b>2017</b>
District's proportion of the OPEBL	0.0610%
District's proportionate share of the OPEBL	\$ 26 543 032
State share of the OPEBL associated with the District	36 672 199
TOTAL	\$ 63 215 231
District's covered-employee payroll* <i>Prior FY TRS Gross - September through August</i>	\$ 48 259 514
Proportionate share/covered payroll	55.00%
Plan fiduciary net position/total OPEB liability	0.91%
<hr/>	
<b>District Contributions</b>	<b>2018</b>
Contractually required contribution	\$ 710 186
Contributions to required contribution	(710 186)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -
Current fiscal year TRS gross	\$ 50 277 113
Contributions to covered payroll	1.41%

Information provided by the Teacher Retirement System of Texas.

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

See independent auditors' report.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended August 31, 2018

Budget

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

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

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

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

Defined Benefit Pension and OPEB Plan

*Changes of Benefit Terms*

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

*Changes of Assumptions*

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

See Note J for changes that affected the measurement of the total other post-employment benefit liability during the measurement period.

COMBINING STATEMENTS AND BUDGET COMPARISONS  
AS SUPPLEMENTARY INFORMATION

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 August 31, 2018

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	\$ 1 748 523	\$ 15 629	\$ 1 764 152
1225	Taxes receivable, net	-	114 622	114 622
1240	Due from other government	1 460 801	-	1 460 801
1290	Other receivables	3 736	-	3 736
1300	Inventory	13 053	-	13 053
1000	TOTAL ASSETS	<u>\$ 3 226 113</u>	<u>\$ 130 251</u>	<u>\$ 3 356 364</u>
	LIABILITIES			
	Current Liabilities:			
2110	Accounts payable	\$ 78 652	\$ -	\$ 78 652
2150	Other payable	494	-	494
2160	Accrued wages payable	321 752	-	321 752
2170	Due to other funds	854 394	-	854 394
2000	TOTAL LIABILITIES	<u>1 255 292</u>	<u>-</u>	<u>1 255 292</u>
	DEFERRED INFLOWS			
2600	Deferred revenue	-	114 621	114 621
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>1 255 292</u>	<u>114 621</u>	<u>1 369 913</u>
	FUND BALANCES			
	Nonspendable Fund Balance:			
3410	Inventory	13 053	-	13 053
	Restricted Fund Balances:			
3450	Federal/state funds grant	1 423 067	-	1 423 067
3420	Reserved for debt service	-	15 630	15 630
3490	Other restrictions of fund balance	534 701	-	534 701
3000	TOTAL FUND BALANCE	<u>1 970 821</u>	<u>15 630</u>	<u>1 986 451</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 3 226 113</u>	<u>\$ 130 251</u>	<u>\$ 3 356 364</u>

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, 2018

EXHIBIT H-2

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-2)
	Revenues:			
5700	Local and intermediate sources	\$ 1 605 069	\$ 979 517	\$ 2 584 586
5800	State program revenues	737 148	232 352	969 500
5900	Federal program revenues	9 425 820	-	9 425 820
5020	TOTAL REVENUE	<u>11 768 037</u>	<u>1 211 869</u>	<u>12 979 906</u>
	Expenditures:			
	Current:			
0011	Instruction	4 647 186	-	4 647 186
0012	Instructional resources and media services	44 075	-	44 075
0013	Curriculum and staff development	1 165 452	-	1 165 452
0021	Instructional leadership	218 547	-	218 547
0023	School leadership	137 395	-	137 395
0031	Guidance, counseling, and evaluation services	128 167	-	128 167
0032	Social work	64 428	-	64 428
0033	Health services	314	-	314
0035	Food service	4 643 565	-	4 643 565
0036	Cocurricular/extracurricular activities	158 208	-	158 208
0041	General administration	4 556	-	4 556
0051	Facilities maintenance and operations	300	-	300
0052	Security and monitoring services	3 160	-	3 160
0061	Community services	19 867	-	19 867
0071	Principal on long-term debt	-	4 917 813	4 917 813
0081	Capital outlay	21 367	-	21 367
6030	TOTAL EXPENDITURES	<u>11 256 587</u>	<u>4 917 813</u>	<u>16 174 400</u>
	EXCESS REVENUE OVER EXPENDITURES	<u>511 450</u>	<u>(3 705 944)</u>	<u>(3 194 494)</u>
	Other Financing Sources:			
7911	Issuance of bonds	-	4 350 000	4 350 000
7915	Transfers in	-	3 250 000	3 250 000
7916	Premium on issuance of bonds	-	2 977 156	2 977 156
8949	Payment to refunded bonds escrow agent	-	(6 855 653)	(6 855 653)
7080	TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>3 721 503</u>	<u>3 721 503</u>
1200	NET CHANGE IN FUND BALANCES	511 450	15 559	526 009
0100	Fund balances - Beginning	1 459 371	71	1 459 442
3000	FUND BALANCES - ENDING	<u>\$ 1 970 821</u>	<u>\$ 15 630</u>	<u>\$ 1 986 451</u>

See independent auditors' report.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 August 31, 2018

DATA CONTROL CODES		211 TITLE I, PART A - IMPROVING BASIC PROGRAMS	212 ESEA TITLE I PART C	217 TITLE I, 1003(a) PRIORITY AND FOCUS SCHOOL GRANT	219 TITLE I, PART D, SUBPART 2	224 IDEA - PART B, FORMULA
	ASSETS					
1110	Cash and cash equivalent	\$ -	\$ -	\$ -	\$ -	\$ -
1240	Due from other government	244 070	-	-	728	665 247
1290	Other receivables	-	-	-	-	-
1300	Inventory	-	-	-	-	-
1000	TOTAL ASSETS	<u>\$ 244 070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 728</u>	<u>\$ 665 247</u>
	LIABILITIES					
	Current Liabilities:					
2110	Accounts payable	\$ 18 828	\$ -	\$ -	\$ -	\$ 9 322
2150	Other payable	-	-	-	-	-
2160	Accrued wages payable	181 342	-	-	-	106 932
2170	Due to other funds	43 900	-	-	728	548 993
2000	TOTAL LIABILITIES	<u>244 070</u>	<u>-</u>	<u>-</u>	<u>728</u>	<u>665 247</u>
	FUND BALANCES					
3410	Nonspendable	-	-	-	-	-
	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>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 244 070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 728</u>	<u>\$ 665 247</u>

See independent auditors' report.

EXHIBIT H-3  
Page 1 of 2

225	240	242	244	255	263	274
IDEA - PART B, PRE- SCHOOL	NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM	SUMMER FEEDING PROGRAM	CAREER AND TECHNICAL - BASIC GRANT	TITLE II, PART A- TEACHER & PRINCIPAL TRAINING & RECRUITING	ENGLISH LANGUAGE ACQUISITION & ENHANCEMENT	GEAR UP
\$ -	\$ 1 211 165	\$ -	\$ -	\$ -	\$ -	\$ -
99	274 429	-	7 411	60 485	13 562	-
-	-	-	-	-	-	-
-	13 053	-	-	-	-	-
<u>\$ 99</u>	<u>\$ 1 498 647</u>	<u>\$ -</u>	<u>\$ 7 411</u>	<u>\$ 60 485</u>	<u>\$ 13 562</u>	<u>\$ -</u>
\$ -	\$ 28 797	\$ -	\$ 384	\$ 8 177	\$ 413	\$ -
-	252	-	-	-	-	-
-	33 478	-	-	-	-	-
99	-	-	7 027	52 308	13 149	-
<u>99</u>	<u>62 527</u>	<u>-</u>	<u>7 411</u>	<u>60 485</u>	<u>13 562</u>	<u>-</u>
-	13 053	-	-	-	-	-
-	1 423 067	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>1 436 120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 99</u>	<u>\$ 1 498 647</u>	<u>\$ -</u>	<u>\$ 7 411</u>	<u>\$ 60 485</u>	<u>\$ 13 562</u>	<u>\$ -</u>



LUFKIN INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED  
 August 31, 2018

DATA CONTROL CODES	288	289	315 SSA IDEA - PART B, DISCRET- IONARY	340 SSA IDEA B PRESCHOOL DEAF	385 SUPPLE- MENTAL VISUALLY IMPAIRED
	TITLE VI PART A	LEP SUMMER SCHOOL			
ASSETS					
1110	Cash and cash equivalent	\$ -	\$ -	\$ -	\$ -
1240	Due from other government	-	-	5 215	-
1290	Other receivables	-	-	-	-
1300	Inventory	-	-	-	-
1000	TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5 215</u>	<u>\$ -</u>
LIABILITIES					
Current Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2150	Other payable	-	-	-	-
2160	Accrued wages payable	-	-	-	-
2170	Due from other funds	-	-	5 215	-
2000	TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>5 215</u>	<u>-</u>
FUND BALANCES					
3410	Nonspendable	-	-	-	-
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>\$ -</u>	<u>\$ -</u>	<u>\$ 5 215</u>	<u>\$ -</u>

See independent auditors' report.

410	427	435	461	499	SPECIAL
TEXTBOOK	MATH	REGIONAL	CAMPUS	OTHER	REVENUE
FUND	ACHIEVEMENT	SCHOOL	ACTIVITY	SPECIAL	FUNDS
	ACADEMIES	FOR THE	FUNDS	REVENUE	(SEE
		DEAF			EXHIBIT
					H-1)
\$ -	\$ 2 486	\$ -	\$ 174 953	\$ 359 919	\$ 1 748 523
157 489	-	32 066	-	-	1 460 801
-	-	-	3 736	-	3 736
-	-	-	-	-	13 053
<u>\$ 157 489</u>	<u>\$ 2 486</u>	<u>\$ 32 066</u>	<u>\$ 178 689</u>	<u>\$ 359 919</u>	<u>\$ 3 226 113</u>
\$ -	\$ 36	\$ 6 580	\$ 1 621	\$ 4 494	\$ 78 652
-	-	-	-	242	494
-	-	-	-	-	321 752
157 489	-	25 486	-	-	854 394
<u>157 489</u>	<u>36</u>	<u>32 066</u>	<u>1 621</u>	<u>4 736</u>	<u>1 255 292</u>
-	-	-	-	-	13 053
-	-	-	-	-	1 423 067
-	2 450	-	177 068	355 183	534 701
<u>-</u>	<u>2 450</u>	<u>-</u>	<u>177 068</u>	<u>355 183</u>	<u>1 970 821</u>
<u>\$ 157 489</u>	<u>\$ 2 486</u>	<u>\$ 32 066</u>	<u>\$ 178 689</u>	<u>\$ 359 519</u>	<u>\$ 3 226 113</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, 2018

DATA CONTROL CODES		211 TITLE I, PART A - IMPROVING BASIC PROGRAMS	212 ESEA TITLE I	217 TITLE I, 1003(a) PRIORITY AND FOCUS SCHOOL GRANT	219 TITLE I, PART D, SUBPART 2	224 IDEA - PART B, FORMULA
Revenues:						
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-	-
5900	Federal program revenues	2 464 441	290	40 000	22 530	1 768 998
5020	TOTAL REVENUES	<u>2 464 441</u>	<u>290</u>	<u>40 000</u>	<u>22 530</u>	<u>1 768 998</u>
Expenditures:						
Current:						
0011	Instruction	1 332 148	290	40 000	22 530	1 734 166
0012	Instructional resources and media services	-	-	-	-	-
0013	Curriculum and staff development	908 160	-	-	-	-
0021	Instructional leadership	90 927	-	-	-	28 050
0023	School leadership	-	-	-	-	215
0031	Guidance, counseling, and evaluation services	62 955	-	-	-	6 567
0032	Social work	64 428	-	-	-	-
0033	Health services	-	-	-	-	-
0035	Food services	-	-	-	-	-
0036	Cocurricular/extra- curricular activities	1 000	-	-	-	-
0041	General administration	-	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-	-
0052	Security and monitoring services	-	-	-	-	-
0061	Community services	4 823	-	-	-	-
0081	Capital outlay	-	-	-	-	-
6030	TOTAL EXPENDITURES	<u>2 464 441</u>	<u>290</u>	<u>40 000</u>	<u>22 530</u>	<u>1 768 998</u>
1200	NET CHANGE IN FUND BALANCES	-	-	-	-	-
0100	Fund balances - Beginning	-	-	-	-	-
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

225	240	242	244	255	263	274
IDEA - PART B, PRE- SCHOOL	NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM	SUMMER FEEDING PROGRAM	CAREER AND TECHNICAL - BASIC GRANT	TITLE II, PART A- TEACHER & PRINCIPAL TRAINING & RECRUITING	ENGLISH LANGUAGE ACQUISITION & ENHANCEMENT	GEAR UP
\$ -	\$ 512 187	\$ -	\$ -	\$ -	\$ -	\$ -
-	96 232	-	-	-	-	-
5 797	4 184 479	117 456	98 715	279 000	147 618	9 858
<u>5 797</u>	<u>4 789 005</u>	<u>117 456</u>	<u>98 715</u>	<u>279 000</u>	<u>147 618</u>	<u>9 858</u>
5 797	-	-	40 438	44 197	115 867	2 621
-	-	-	-	-	-	-
-	-	-	-	231 460	4 311	-
-	-	-	-	541	26 470	7 237
-	-	-	-	-	-	-
-	-	-	58 277	-	-	-
-	-	-	-	-	-	-
-	4 526 109	117 456	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	2 802	970	-
-	-	-	-	-	-	-
<u>5 797</u>	<u>4 526 109</u>	<u>117 456</u>	<u>98 715</u>	<u>279 000</u>	<u>147 618</u>	<u>9 858</u>
-	266 789	-	-	-	-	-
-	1 169 331	-	-	-	-	-
<u>\$ -</u>	<u>\$ 1 436 120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED  
 For The Year Ended August 31, 2018

DATA CONTROL CODES	281 CHILD CARE SERVICES GRANT	288 TITLE VI PART A	289 LEP SUMMER SCHOOL	315 SSA IDEA - PART B, DISCRET- IONARY	340 SSA IDEA B PRESCHOOL DEAF
Revenues:					
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	193 059	39 643	4 206	993
5020	TOTAL REVENUES	<u>193 059</u>	<u>39 643</u>	<u>4 206</u>	<u>993</u>
Expenditures:					
Current:					
0011	Instruction	150 274	14 880	4 206	48 737
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and staff development	-	21 516	-	-
0021	Instructional leadership	-	3 247	-	-
0023	School leadership	42 785	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-	-
0032	Social work	-	-	-	-
0033	Health services	-	-	-	-
0035	Food services	-	-	-	-
0036	Cocurricular/extra- curricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0061	Community services	-	-	-	-
0081	Capital outlay	-	-	-	-
6030	TOTAL EXPENDITURES	<u>193 059</u>	<u>39 643</u>	<u>4 206</u>	<u>48 737</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.

385	410	427	435	461	499	SPECIAL
SUPPLE- MENTAL VISUALLY IMPAIRED	STATE TEXT- BOOK FUND	MATH ACHIEVEMENT ACADEMIES	REGIONAL DAY SCHOOL FOR THE DEAF	CAMPUS ACTIVITY FUNDS	OTHER SPECIAL REVENUE	REVENUE FUNDS (SEE EXHIBIT H-2)
\$ -	\$ -	\$ -	\$ -	\$ 342 650	\$ 750 232	\$ 1 605 069
5 125	201 351	115 188	319 252	-	-	737 148
-	-	-	-	-	-	9 425 820
<u>5 125</u>	<u>201 351</u>	<u>115 188</u>	<u>319 252</u>	<u>342 650</u>	<u>750 232</u>	<u>11 768 037</u>
5 125	201 351	86 652	257 567	217 809	321 538	4 647 186
-	-	-	-	44 075	-	44 075
-	-	-	-	-	5	1 165 452
-	-	-	61 685	238	152	218 547
-	-	26 086	-	12 378	55 931	137 395
-	-	-	-	-	368	128 167
-	-	-	-	-	-	64 428
-	-	-	-	-	314	314
-	-	-	-	-	-	4 643 565
-	-	-	-	54 751	102 457	158 208
-	-	-	-	54	4 502	4 556
-	-	-	-	-	300	300
-	-	-	-	-	3 160	3 160
-	-	-	-	-	11 272	19 867
-	-	-	-	5 096	16 271	21 367
<u>5 125</u>	<u>201 351</u>	<u>112 738</u>	<u>319 252</u>	<u>334 401</u>	<u>516 270</u>	<u>11 256 587</u>
-	-	2 450	-	8 249	233 962	511 450
-	-	-	-	168 819	121 221	1 459 371
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2 450</u>	<u>\$ -</u>	<u>\$ 177 068</u>	<u>\$ 355 183</u>	<u>\$ 1 970 821</u>

#### OTHER SUPPLEMENTARY INFORMATION

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
For the Year Ended August 31, 2018

LAST 10 YEARS ENDED AUGUST 31,	(1) (2) TAX RATES		(3)
	MAINTENANCE	DEBT SERVICE	ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES
2009 and prior years	Various	Various	\$ Various
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	1.0400	0.1700	\$ 2 142 161 488
2014	1 0400	0.1670	\$ 2 253 455 551
2015	1.0400	0.1730	\$ 2 260 211 707
2016	1.1700	0.0430	\$ 2 237 252 432
2017	1.1700	0.0430	\$ 2 208 569 827
2018 (School year under audit)	1.1700	0.0430	\$ 2 238 124 155
TOTALS			

See independent auditor's report.



EXHIBIT J-1

(10) BEGINNING BALANCE 09/01/2017	(20) CURRENT YEAR'S TOTAL LEVY	(31) MAINTENANCE COLLECTIONS	(32) DEBT SERVICE COLLECTIONS	(40) ENTIRE YEAR'S ADJUSTMENTS	(50) ENDING BALANCE 08/31/2018
\$ 389 655	\$ -	\$ 21 062	\$ 1 973	\$ (18 209)	\$ 348 412
80 578	-	3 482	568	(912)	75 616
102 480	-	6 299	968	(13 537)	81 676
101 970	-	10 034	1 591	(1 262)	89 083
121 484	-	15 106	2 469	(1 276)	102 633
181 899	-	25 528	4 101	(1 805)	150 465
229 651	-	34 853	5 793	(2 492)	186 514
352 635	-	70 495	2 589	(3 065)	276 487
569 413	-	171 129	6 240	(48 609)	343 434
-	27 148 446	25 231 918	926 791	(380 811)	608 924
<u>\$ 2 129 765</u>	<u>\$ 27 148 446</u>	<u>\$ 25 589 906</u>	<u>\$ 953 083</u>	<u>\$ (471 978)</u>	<u>\$ 2 263 244</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
 BUDGETARY COMPARISON SCHEDULE  
 For the Year Ended August 31, 2018

EXHIBIT J-2

DATA CONTROL CODES		1	2	3	4
		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 409 513	\$ 409 513	\$ 512 187	\$ 102 674
5800	State program revenues	32 000	32 000	92 339	60 339
5900	Federal program revenues	3 994 908	3 994 908	4 184 479	189 571
5020	TOTAL REVENUES	<u>4 436 421</u>	<u>4 436 421</u>	<u>4 789 005</u>	<u>352 584</u>
	Expenditures:				
	Current:				
0035	Food services	4 436 421	4 936 421	4 522 216	414 205
6030	TOTAL EXPENDITURES	<u>4 436 421</u>	<u>4 936 421</u>	<u>4 522 216</u>	<u>414 205</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(500 000)</u>	<u>266 789</u>	<u>766 789</u>
	Other Financing Sources (Uses):				
7915	Transfers in	-	-	-	-
	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCE	-	-	-	-
0100	Fund balance - Beginning	<u>1 169 331</u>	<u>1 169 331</u>	<u>1 169 331</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 1 169 331</u>	<u>\$ 669 331</u>	<u>\$ 1 436 120</u>	<u>\$ 766 789</u>

See independent auditor's report.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended August 31, 2018

EXHIBIT J-3

DATA CONTROL CODES		1	2	3	4
		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 1 031 649	1 019 219	\$ 979 517	\$ (39 702)
5800	State program revenues	<u>176 428</u>	<u>212 833</u>	<u>232 352</u>	<u>19 519</u>
5020	TOTAL REVENUES	<u>1 208 077</u>	<u>1 232 052</u>	<u>1 211 869</u>	<u>(20 183)</u>
	Expenditures:				
0071	Principal on long-term debt	<u>4 456 968</u>	<u>4 919 910</u>	<u>4 917 813</u>	<u>2 097</u>
6030	TOTAL EXPENDITURES	<u>4 456 968</u>	<u>4 919 910</u>	<u>4 917 813</u>	<u>2 097</u>
	EXCESS REVENUE OVER EXPENDITURES	<u>(3 248 891)</u>	<u>(3 687 858)</u>	<u>(3 705 944)</u>	<u>(18 086)</u>
	Other Financing Sources (Uses):				
7911	Issuance of bonds	-	4 350 000	4 350 000	-
7915	Transfers in	-	3 250 000	3 250 000	-
7916	Premium on bond issue	-	2 977 156	2 977 156	-
8949	Payment to refunded bonds escrow agent	<u>-</u>	<u>(6 855 653)</u>	<u>(6 855 653)</u>	<u>-</u>
	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>3 721 503</u>	<u>3 721 503</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	(3 248 891)	33 645	15 559	(18 086)
0100	Fund balance - Beginning	<u>71</u>	<u>71</u>	<u>71</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ (3 248 820)</u>	<u>33 716</u>	<u>\$ 15 630</u>	<u>\$ (18 086)</u>

See independent auditor's report.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
 CAPITAL PROJECT FUND  
 BUDGETARY COMPARISON SCHEDULE  
 For the Year Ended August 31, 2018

EXHIBIT J-4

DATA CONTROL CODES	1	2	3	4
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Revenues:				
5700	Local and intermediate sources	\$ 5 400	\$ 12 954	\$ 7 554
5020	TOTAL REVENUES	<u>5 400</u>	<u>12 954</u>	<u>7 554</u>
Expenditures:				
0035	Food services	300 000	-	-
0051	Plant maintenance and operations	106 762	286 708	70 479
0053	Instructional computing	100 000	-	-
0081	Facilities acquisition and construction	-	220 054	(167 468)
6030	TOTAL EXPENDITURES	<u>506 762</u>	<u>506 762</u>	<u>(96 898)</u>
	EXCESS REVENUE OVER EXPENDITURES	<u>(506 762)</u>	<u>(501 362)</u>	<u>(89 435)</u>
Other Financing Sources (Uses):				
7911	Issuance of bonds	506 762	40 000 000	-
8949	Other uses	-	(40 000 000)	(40 000 000)
	TOTAL OTHER FINANCING SOURCES (USES)	<u>506 762</u>	<u>40 000 000</u>	<u>(40 000 000)</u>
1200	NET CHANGE IN FUND BALANCES	-	(501 362)	(40 089 435)
0100	Fund balance - Beginning	<u>507 214</u>	<u>507 214</u>	-
3000	FUND BALANCE - ENDING	<u>\$ 507 214</u>	<u>\$ 39 916 417</u>	<u>\$ (40 089 435)</u>

See independent auditor's report.

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

Board of Trustees  
Lufkin Independent School District  
Lufkin, Texas

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lufkin Independent School District as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated January 15, 2019.

**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 15, 2019

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

Board of Trustees  
Lufkin Independent School District  
Lufkin, Texas

Members of the Board of Trustees:

**Report on Compliance for Each Major Federal Program**

We have audited Lufkin Independent School District's compliance with the types of compliance requirements described in the *Uniform Guidance* that could have a direct and material effect on each of Lufkin Independent School District's major federal programs for the year ended August 31, 2018. Lufkin Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, Lufkin Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

### **Report on Internal Control Over Compliance**

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

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

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

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

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
January 15, 2019



LUFKIN INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended August 31, 2018

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

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

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

Material control over major programs:

Material weakness(es) identified?  Yes  No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee?  Yes  No

B. SECTION II - Financial Statement Findings

NONE

C. SECTION III - Federal Award Findings and Questioned Costs

NONE

LUFKIN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended August 31, 2018

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
For the Year Ended August 31, 2018

None

LUFKIN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2018

EXHIBIT K-1  
PAGE 1 OF 2

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	(2) FEDERAL CFDA NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) FEDERAL EXPENDITURES
<b>Child Nutrition Cluster</b>			
U.S. Department of Agriculture:			
Passed Through Texas Education Agency:			
School Breakfast Program	10.553	71401801	\$ 925 839
School Breakfast Program	10.553	71401701	199 190
National School Breakfast Program	10.555	71301801	2 231 201
National School Breakfast Program	10.555	71301701	517 046
Passed Through Texas Department of Agriculture:			
Food Distribution (Non-cash)	10.555	00011	311 203
Summer Food Service Program	10.559	00011	117 456
TOTAL CHILD NUTRITION CLUSTER			<u>4 301 935</u>
 <b>Forest Service Schools and Road Cluster</b>			
U.S. Department of Agriculture:			
Passed Through Angelina County:			
Schools and Roads - Grants to Counties	10.666	N/A	158
TOTAL FOREST SERVICE SCHOOLS AND ROADS CLUSTER			<u>158</u>
 <b>Special Education (IDEA) Cluster</b>			
U.S. Department of Education:			
Passed Through Texas Education Agency:			
IDEA - Part B, Discretionary	84.027	176600020039036000	43
IDEA - Part B, Discretionary	84.027	186600110039036000	49 892
IDEA - Part B Formula	84.027	176600010039036600	249 093
IDEA - Part B Formula	84.027	186600010039036600	1 519 862
IDEA - Part B Preschool	84.173	186610010039036610	5 797
TOTAL SPECIAL EDUCATION (IDEA) CLUSTER			<u>1 824 687</u>

LUFKIN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2018

EXHIBIT K-1  
PAGE 2 OF 2

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	(2) FEDERAL CFDA NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) FEDERAL EXPENDITURES
<b>Other Programs</b>			
U.S. Department of Education:			
Passed Through Texas Education Agency:			
ESEA, Title I, Part A - Improving Basic Programs	84.010	18610101003903	2 035 418
ESEA, Title I, Part A - Improving Basic Programs	84.010	17610101003903	473 344
ESEA, Title I, Part D, Subpart 2 - Delinquent Programs	84.010	18610103003903	23 004
ESEA, Title I, Part D, Subpart 2 - Delinquent Programs	84.010	17610103003903	1 413
ESEA, Title I, 1003 School Improvement	84.010	18610123003903	40 000
ESEA, Title I, 1003(a) Priority & Focus School Grant	84.010	17610112003903000	14 889
Industry Cluster Perkins	84.048	18392201711002	153 059
Industry Cluster TWC	17.278	173918017110002	40 000
Title IV, Part A, Subpart 1	84.424	18680101003903	39 643
Career and Technical - Basic Grant	84.048	18420006003903	100 900
Title III, Part A - English Language Acquisition & Language Enhancement	84.365	18671001003903	150 519
ESEA, Title II, Part A - Teacher & Principal Training & Recruiting	84.367	18694501003903	286 271
LEP Summer School	84.369	69551602	4 206
IDEA C - Early Childhood intervention	84.334	183911010039033000	993
Passed Through Stephen F. Austin State University:			
GEAR UP	84.334	P334A110173-15	9 858
Passed Through Region VII Service Center:			
ESEA, Title I, Part C- Migratory Children	84.011	N/A	<u>290</u>
TOTAL DEPARTMENT OF EDUCATION			<u>3 373 807</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>9 500 587</u>
Reconciliation to Exhibit C-2:			
Total per Exhibit K-1			\$ 9 500 587
Other Federal Revenue:			
School Health and Related Services (SHARS)	93.990	N/A	835 493
Medicare Reimbursement (MAC)	93.778	N/A	<u>20 347</u>
TOTAL FEDERAL REVENUE PER EXHIBIT C-2			\$ <u>10 356 427</u>

The accompanying notes are an integral part of this schedule.

LUFKIN INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2018

Basis of Presentation

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

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

LUFKIN INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REQUIRED RESPONSES TO SELECTED  
SCHOOL FIRST INDICATORS  
As of August 31, 2018

Exhibit K-2

<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 nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission(TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 658 459
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 12 743 869
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ -