

**LONDON
INDEPENDENT
SCHOOL DISTRICT**

Annual Financial Report

For the Year Ended August 31, 2022



GOWLAND, MORALES & SMITH, PLLC

Certified Public Accountants

London Independent School District
Annual Financial Report
For The Year Ended August 31, 2022

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Introductory Section

CERTIFICATE OF BOARD

London Independent School District
Name of School District

Nueces
County

178906
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, 2022, at a meeting of the board of trustees of such school district on the 9th day of January, 2023



Signature of Board Secretary



Signature of Board President

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

Financial Section



GOWLAND, MORALES & SMITH, PLLC

Certified Public Accountants

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Independent Auditor's Report

To the Board of Trustees
London Independent School District
1306 FM 43
Corpus Christi, Texas 78415

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the London Independent School District ("the District"), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the London Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of London Independent School District as of August 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of London Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note A to the financial statements, in 2022, London Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

London Independent School District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about London Independent School District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the London Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2023 on our consideration of London Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering London Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Gowland, Morales, & Smith, PLLC

Gowland, Morales & Smith, PLLC

Corpus Christi, Texas
January 9, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of London Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

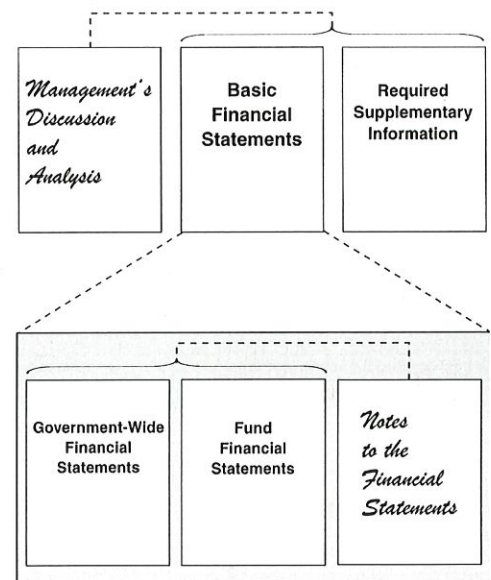
- The District's total combined net position was \$8,710,716 at August 31, 2022.
- During the year, the District's expenses were \$1,093,265 lower than the \$15,826,643 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$15,374 higher than last year.
- The general fund reported a fund balance this year of \$6,257,161 a decrease of \$1,820,856.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as food service.
- *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.

Figure A-1F, Required Components of the District's Annual Financial Report



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

Summary  Detail

Figure A-1 shows how the required parts

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

Government-wide Statements

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

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

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

Fund Financial Statements

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

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

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

Figure A-2 Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	• Statement of net position	• Balance sheet	• Statement of net assets	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses and changes in fund net assets	• Statement of changes in fiduciary net assets
			• Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's total net position was approximately 8,710,716, August 31, 2022. (See Table A-1).

TABLE A-1
The District's Statement of Net Position
(in dollars)

	Governmental Activities		Total Change
	2022	2021	2022-2021
Current and Other Assets	\$ 8,472,989	\$ 10,998,831	\$ (2,525,842)
Capital and Non-Current	37,437,717	36,989,173	448,544
Total Assets	<u>45,910,706</u>	<u>47,988,004</u>	<u>(2,077,298)</u>
Deferred Outflows of Resources	<u>2,801,714</u>	<u>2,589,100</u>	<u>212,614</u>
Current Liabilities	947,602	1,728,592	(780,990)
Noncurrent Liabilities	35,380,592	38,677,508	(3,296,916)
Total Liabilities	<u>36,328,194</u>	<u>40,406,100</u>	<u>(4,077,906)</u>
Deferred Inflows Related to Pensions	<u>3,673,510</u>	<u>2,553,557</u>	<u>1,119,953</u>
Net Assets Invested in			
Capital Assets net of			
Related Debt	8,624,952	5,845,812	2,779,140
Restricted	1,153,213	1,074,264	78,949
Unrestricted	(1,067,449)	697,371	(1,764,820)
Total Net Position	<u>\$ 8,710,716</u>	<u>\$ 7,617,447</u>	<u>\$ 1,093,269</u>

Net position Invested in Capital Assets net of related Debt reflects the book value of the District's capital assets at \$8,624,952 less related debt. The District's restricted net position includes state and federal programs, debt service, and campus activities. The \$(1,067,449) of unrestricted net assets represents resources available for investments, capital projects and programs.

Changes in net position. The District's total revenues were \$15,826,643. Of that, 52 percent of the District's revenue comes from taxes, 29 percent comes from state aid not restricted to specific programs, and 14 percent comes from operating grants, while only 4 percent relates to charges for services.

The total cost of all programs and services was \$14,733,378; 65 percent of these costs are for direct student services, which include: instruction, instructional resources, guidance and counseling, food services, health services, transportation, and co-curricular activities.

Governmental Activities

- Total property tax rate decreased from \$1.3266/100 to \$1.2007/100, which includes \$.2752/100 for debt service on bonds, and \$.9255/100 maintenance and operations.
- Certified property values totaled \$712,085,556, a 7.07% increase from the prior year value of \$665,049,543, the net result of a continued increase in residential growth along with increased average market and appraised value of residences. Although, the appraisal value of the 2018 wind farm continues to decline.

Table A-2
Changes in London School District's Net Position
(in dollars)

	Governmental Activities		Total Change
	2022	2021	2022-2021
Program Revenues:			
Charges for Services	\$ 568,455	\$ 637,383	\$ (68,928)
Operating Grants and Contributions	2,219,645	1,548,950	670,695
General Revenues:			-
Property Taxes	8,200,000	8,573,041	(373,041)
State Aid – Formula	4,542,743	4,692,542	(149,799)
Investment Earnings	37,157	3,825	33,332
Other	258,643	20,376	238,267
Total Revenues	<u>15,826,643</u>	<u>15,476,117</u>	<u>350,526</u>
Instruction	6,668,447	6,817,656	(149,209)
Instructional Resources and Media Services	61,420	222,070	(160,650)
Curriculum Dev. And Instructional Staff Dev.	175,948	38,143	137,805
Instructional Leadership	99,778	310,728	(210,950)
School Leadership	603,363	630,962	(27,599)
Guidance, Counseling and Evaluation Services	319,134	289,935	29,199
Health Services	136,335	151,774	(15,439)
Student (Pupil) Transportation	693,303	429,216	264,087
Food Services	918,320	739,430	178,890
Curricular/Extracurricular	747,557	842,901	(95,344)
General Administration	690,466	675,971	14,495
Plant Maintenance & Oper.	2,037,328	1,921,471	115,857
Security and Monitoring Services	107,450	124,886	(17,436)
Data Processing Services	289,778	283,842	5,936
Bond Issuance Costs and Fees	26,996	217,520	(190,524)
Interest on Long-term Debt	1,021,359	909,436	111,923
Capital Outlay	32,610	8,937	23,673
Other Intergovernmental Charges	103,786	103,126	660
Total Expenses	<u>14,733,378</u>	<u>14,718,004</u>	<u>15,374</u>
Change in Net Position	1,093,265	758,113	335,152
Net Position Beginning	7,617,451	6,859,338	758,113
Special Items		0	-
Net Position Ending	<u>\$ 8,710,716</u>	<u>\$ 7,617,451</u>	<u>\$ 1,093,265</u>

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$14,733,378.
- However, the amount that our taxpayers paid for these activities through property taxes was only 8,200,000.
- Some of the cost was paid by those who directly benefited from the programs \$568,455, or
- By grants and contributions \$2,219,645.

Table A-3
Net Cost of Selected District Functions
(in dollars)

	Total Cost of Services		% Change	Net cost of Services		% Change
	2022	2021		2022	2021	
Instruction	\$ 6,668,447	\$ 6,817,656	-2.19%	\$ 5,700,322	\$ 5,968,785	-4.50%
Plant Maintenance & Operations	2,037,328	1,921,471	6.03%	1,870,158	1,739,586	7.51%
General Administration	690,466	675,971	2.14%	633,797	622,608	1.80%
Student(Pupil) Transportation	693,303	429,216	61.53%	630,147	399,515	57.73%
Food Service	918,320	739,430	24.19%	(314,315)	26,484	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$16,595,172, an increase of 6.74% from the preceding year. Revenue increased \$670,695 from operating grants and contributions and charges for services decreased by \$68,928. Both of these changes were impacted by Food Service Fund operations with students returning to campus and the Federal Child Nutrition program providing free meals during the first ten months of operation. Property tax increased, as well as State Aide by a comparable amount. In addition, there was also a large increase in interest on investments as rates inclined sharply from the prior year. The district is classified as a Chapter 41 district, but is not subject to recapture of excess revenue because of a hold-harmless provision still in place under current law.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget from time to time. Actual expenditures were \$56,834 above final budget amounts, a variance of only .43%. Adequate budgeting resulted in a variance of \$60,245 less than budget in Total Instruction and Instr. Related Services, as well as School Leadership by \$6,368, and Support Services for Nonstudent based by \$2,480. Total Support Services for Student was greater than budget by \$10,893 in addition to Administrative Support Services by \$1,366.

Total revenues were \$712,497 above the final budgeted amount. State funding was \$707,415 greater as a result of final state funding amounts based on final average daily attendance, as well as \$5,082 greater due to the final cost calculation of TRS On-Behalf.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021-22, the District had invested \$48,031,754 in a broad range of capital assets with a unit cost of \$5,000 or more, including land, buildings, vehicles, and equipment. (See Table A-4.)

Table A-4
Capital Assets
(in actual dollars)

	Governmental Activities		Total Change 2022-2021
	2022	2021	
Land	\$ 392,252	\$ 392,252	\$ -
Buildings and Improvements	44,658,791	43,539,803	1,118,988
Vehicles	1,695,323	1,387,785	307,538
Furniture and Equipment	1,165,292	929,338	235,954
Construction in Progress	120,096	-	120,096
Totals at historical cost	48,031,754	46,249,178	1,782,576
			-
Total accumulated depreciation	10,594,037	9,260,004	1,334,033
Net capital assets	\$ 37,437,717	\$ 36,989,174	\$ 448,543

Long Term Debt

The District has \$28,804,102 in bonds payable, issued 2014, 2015, 2018 and 2020 for the construction of voter approved construction. The final payments were issued November 2020. The District issued Unlimited Tax Refunding Bonds on November 1, 2020 to advance refund portions of the 2014, 2015 and 2018 series bonds. In 2015 and 2019 the District issued Maintenance Tax Notes of \$1 million each year for building renovations, buses, septic system expansion, athletic field improvements and kitchen, band hall, and gym equipment. The outstanding balance of the notes is \$0. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

	Governmental Activities		Total Percentage Change 2022-2021
	2022	2021	
Bonds payable	\$ 28,804,102	\$ 30,062,298	-4.2%
Maintenance Tax Notes	0	1,199,000	-100.0%
Premium	1,679,032	1,754,357	-4.3%
Accretion on Capital Appreciation			
Bonds	3,021,822	2,918,132	100.0%
Deferred Loss on Bond Refunding	(2,722,814)	(2,836,265)	100.0%
Total bonds & notes payable	<u>\$ 30,782,142</u>	<u>\$ 33,097,522</u>	

Net Pension Liability

The District implemented GASB Statement No. 68 during the year ended August 31, 2015. Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental non-employer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in reporting in the government-wide financial statements to reflect the net pension liability and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement.

Other Post-Employment Benefit Plans (OPEB)

The District implemented GASB Statement No. 75 during the year ended August 31, 2018. A prior period adjustment of \$4,423,178 was required to record the beginning balance of the pension liability for the year ended August 31, 2017. 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 Benefits (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

The adoption of Statement No. 75 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of health insurance unaffected by the change. However, the adoption has resulted in reporting in the government-wide financial statements to reflect the net OPEB liability and deferred inflows of resources and deferred outflows of resources for its qualified plan and the recognition of expense in accordance with the provisions of the Statement.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- General operating fund expenditure budget per student is expected to decrease 5.2% from \$9,003 per average daily attendance (ADA) in 2021-22 to \$8,536 in 2022-23. The decreased cost per ADA is a result of the increase in Student enrollment of approximately 17.2%. There was an overall decrease of 10.7% in budgeted expenditures.
- Total tax rate for 2022-23 will increase by 15.386 cents from \$1.20074 to \$1.3546 per \$100 property valuation. The M&O tax rate will decrease 7.09 cents to \$.8546/100. The I&S rate which pays for outstanding bonds will decrease 22.476 cents to \$.5000/100. In addition, approximately \$18,120 of the I&S Fund fund balance will be to lower the required tax rate.
- The District was significantly impacted by the tax compression and resulted in a large loss of available revenue for the 2022-23 general operating fund budget.
- Earnings on investments increased because of significantly higher interest rates. Steady investment pool rates are expected for most of the next year.
- The cost of property insurance increased 16.9% from 2020-21 to 2021-22 and is expected to increase an additional 10% for 2022-23. The 2022-23 budget of \$506,000 cost is a result of hurricane and cold weather losses that have occurred in Texas and the US in 2017 and 2022. Utilities costs should remain fairly steady because of a multi-year electricity contract.
- Based on implementation of a salary study, a proposed increase of 2% to 3% for all employees will increase payroll costs for 2022-23. Six new positions will be added to address expected enrollment growth of 17.2%.
- The District expects continued enrollment growth as a result of increased residential housing developments in the area.
- The windfarm within the school district boundaries was added to the tax rolls in 2018. It increased the taxable value of district property by about \$300 million for the 2018-19 fiscal year. That represented a large increase of approximately 80%, which provided substantial increased tax revenues for 2018-19. Although the assessed taxable value of the windfarm is subject to decline of about 10% per year, it is expected to be a steady decrease each year. A projected upswing in residential housing development and some business growth, is expected to offset the windfarm value losses, and result in overall value increases in future years.

These indicators were taken into account when adopting the general fund budget for 2022-23. Revenues available for appropriation in the general fund budget are \$12,864,247, an increase of 4.7% over the final 2021-22 revenue budget of \$12,291,005. A property value increase of 4.1% will provide increased tax revenue of \$264,790. State revenue will increase with steady growth in student enrollment and funding increases from HB3 legislation. The District is subject to the regulations of Chapter 41 of the Texas Education Code related to district property wealth per student, however, under a hold-harmless provision of the state funding laws that remains in place, the District still will not be subject to recapture for 2022-23 according to information available at this time. That could change later in subsequent years with property value increases, and depending on enrollment growth rates or changes in the law.

General Fund expenditures for the 2022-23 fiscal year are budgeted at \$12,864,247, a decrease of 10.7% over last year's final amended budget of \$14,403,194. The budget provides a salary increase for all positions, supplies for increased student enrollment, security measures improvements, and the purchase of a 72 passenger bus, as well as a 56 passenger activity bus.

If these estimates are realized, the District's budgetary general fund balance is expected to remain unchanged at \$5.9 million.

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 Business Office.

Basic Financial Statements

LONDON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2022

Data Control Codes		1	Governmental Activities
ASSETS:			
1110	Cash and Cash Equivalents	\$	1,583,066
1120	Current Investments		5,278,307
1225	Property Taxes Receivable (Net)		22,063
1240	Due from Other Governments		1,347,186
1290	Other Receivables (Net)		2,726
1410	Unrealized Expenses		239,641
Capital Assets:			
1510	Land		392,252
1520	Buildings and Improvements, Net		35,423,997
1530	Furniture and Equipment, Net		1,501,372
1580	Construction in Progress		120,096
1000	Total Assets		<u>45,910,706</u>
DEFERRED OUTFLOWS OF RESOURCES:			
	Deferred Outflow Related to Pensions		945,226
	Deferred Outflow Related to OPEB		1,856,488
1700	Total Deferred Outflows of Resources		<u>2,801,714</u>
LIABILITIES:			
2110	Accounts Payable		190,258
2165	Accrued Liabilities		728,081
2300	Unearned Revenue		29,263
Noncurrent Liabilities:			
2501	Due Within One Year		1,285,686
2502	Due in More Than One Year		29,496,455
2540	Net Pension Liability		1,276,333
2545	Net OPEB Liability		3,322,118
2000	Total Liabilities		<u>36,328,194</u>
DEFERRED INFLOWS OF RESOURCES:			
	Deferred Inflow Related to Pensions		1,362,805
	Deferred Inflow Related to OPEB		2,310,705
2600	Total Deferred Inflows of Resources		<u>3,673,510</u>
NET POSITION:			
3200	Net Investment in Capital Assets		8,624,952
Restricted For:			
3820	State and Federal Programs		580,625
3850	Debt Service		451,730
3870	Campus Activities		120,858
3900	Unrestricted		(1,067,449)
3000	Total Net Position	\$	<u>8,710,716</u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Program Revenues Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 6,668,447	\$ 102,659	\$ 865,466	\$ (5,700,322)
12	Instructional Resources and Media Services	61,420	1,001	4,797	(55,622)
13	Curriculum and Staff Development	175,948	1,559	73,320	(101,069)
21	Instructional Leadership	99,778	1,617	6,556	(91,605)
23	School Leadership	603,363	9,742	44,439	(549,182)
31	Guidance, Counseling, and Evaluation Services	319,134	5,198	22,535	(291,401)
33	Health Services	136,335	2,195	10,852	(123,288)
34	Student Transportation	693,303	10,724	52,432	(630,147)
35	Food Service	918,320	375,925	856,710	314,315
36	Cocurricular/Extracurricular Activities	747,557	10,050	35,529	(701,978)
41	General Administration	690,466	10,974	45,695	(633,797)
51	Facilities Maintenance and Operations	2,037,328	30,612	136,558	(1,870,158)
52	Security and Monitoring Services	107,450	1,521	16,446	(89,483)
53	Data Processing Services	289,778	4,678	20,553	(264,547)
72	Interest on Long-term Debt	1,021,359	--	27,757	(993,602)
73	Bond Issuance Costs and Fees	26,996	--	--	(26,996)
81	Capital Outlay	32,610	--	--	(32,610)
99	Other Intergovernmental Charges	103,786	--	--	(103,786)
TG	Total Governmental Activities	14,733,378	568,455	2,219,645	(11,945,278)
TP	Total Primary Government	<u>\$ 14,733,378</u>	<u>\$ 568,455</u>	<u>\$ 2,219,645</u>	<u>(11,945,278)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				6,295,729
DT	Property Taxes, Levied for Debt Service				1,904,271
IE	Investment Earnings				37,157
GC	Grants and Contributions Not Restricted to Specific Programs				4,542,743
MI	Miscellaneous				258,643
TR	Total General Revenues				<u>13,038,543</u>
CN	Change in Net Position				1,093,265
NB	Net Position - Beginning				7,617,451
NE	Net Position - Ending				<u>\$ 8,710,716</u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2022

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 Cash and Cash Equivalents	\$ 946,902	\$ 99,879	\$ 536,287	\$ 1,583,068
1120 Current Investments	4,662,254	351,668	264,385	5,278,307
1225 Taxes Receivable, Net	18,963	3,100	--	22,063
1240 Due from Other Governments	1,262,430	184	84,572	1,347,186
1290 Other Receivables	2,726	--	--	2,726
1410 Unrealized Expenditures	239,641	--	--	239,641
1000 Total Assets	<u>7,132,916</u>	<u>454,831</u>	<u>885,244</u>	<u>8,472,991</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ 153,822	\$ --	\$ 36,436	\$ 190,258
2150 Payroll Deductions and Withholdings	96,854	--	--	96,854
2160 Accrued Wages Payable	601,826	--	25,110	626,936
2190 Due to Student Groups	--	--	1	1
2200 Accrued Expenditures	4,290	--	--	4,290
2300 Unearned Revenue	--	--	29,263	29,263
2000 Total Liabilities	<u>856,792</u>	<u>--</u>	<u>90,810</u>	<u>947,602</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Revenue	18,963	3,101	--	22,064
2600 Total Deferred Inflows of Resources	<u>18,963</u>	<u>3,101</u>	<u>--</u>	<u>22,064</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	560,625	560,625
3480 Retirement of Long-Term Debt	--	451,730	--	451,730
3490 Other Restrictions of Fund Balance	--	--	175,119	175,119
Committed Fund Balances:				
3510 Construction	--	--	58,690	58,690
3600 Unassigned	6,257,161	--	--	6,257,161
3000 Total Fund Balances	<u>6,257,161</u>	<u>451,730</u>	<u>794,434</u>	<u>7,503,325</u>
Total Liabilities, Deferred Inflow 4000 of Resources and Fund Balances	<u>\$ 7,132,916</u>	<u>\$ 454,831</u>	<u>\$ 885,244</u>	<u>\$ 8,472,991</u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2022

Total fund balances - governmental funds balance sheet	\$ 7,503,325
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.	37,437,716
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	22,064
Payables for bond principal which are not due in the current period are not reported in the funds.	(28,804,102)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,276,333)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,362,805)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	945,226
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(299,007)
Bond premiums are amortized in the SNA but not in the funds.	(1,679,031)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(3,322,118)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(2,310,705)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	1,856,488
Rounding difference	(2)
Net position of governmental activities - Statement of Net Position	\$ <u>8,710,716</u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 6,717,811	\$ 1,911,936	\$ 530,404	\$ 9,160,151
5800 State Program Revenues	5,871,213	27,757	37,754	5,936,724
5900 Federal Program Revenues	9,867	--	1,488,430	1,498,297
5020 Total Revenues	<u>12,598,891</u>	<u>1,939,693</u>	<u>2,056,588</u>	<u>16,595,172</u>
EXPENDITURES:				
Current:				
0011 Instruction	6,041,623	--	510,605	6,552,228
0012 Instructional Resources and Media Services	59,391	--	1,328	60,719
0013 Curriculum and Staff Development	93,335	--	67,914	161,249
0021 Instructional Leadership	96,454	--	969	97,423
0023 School Leadership	580,875	--	10,743	591,618
0031 Guidance, Counseling, and Evaluation Services	310,242	--	4,566	314,808
0033 Health Services	131,421	--	3,256	134,677
0034 Student Transportation	955,025	--	15,340	970,365
0035 Food Service	--	--	835,514	835,514
0036 Cocurricular/Extracurricular Activities	599,287	--	99,186	698,473
0041 General Administration	654,219	--	7,738	661,957
0051 Facilities Maintenance and Operations	1,831,773	--	95,282	1,927,055
0052 Security and Monitoring Services	90,230	--	11,187	101,417
0053 Data Processing Services	278,946	--	4,358	283,304
0071 Principal on Long-term Debt	1,199,000	1,258,195	--	2,457,195
0072 Interest on Long-term Debt	--	879,544	--	879,544
0073 Bond Issuance Costs and Fees	22,896	4,100	--	26,996
0081 Capital Outlay	221,244	--	1,164,558	1,385,802
0099 Other Intergovernmental Charges	103,786	--	--	103,786
6030 Total Expenditures	<u>13,269,747</u>	<u>2,141,839</u>	<u>2,832,544</u>	<u>18,244,130</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>(670,856)</u>	<u>(202,146)</u>	<u>(775,956)</u>	<u>(1,648,958)</u>
Other Financing Sources and (Uses):				
7915 Transfers In	--	--	1,150,000	1,150,000
8911 Transfers Out	(1,150,000)	--	--	(1,150,000)
7080 Total Other Financing Sources and (Uses)	<u>(1,150,000)</u>	<u>--</u>	<u>1,150,000</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>(1,820,856)</u>	<u>(202,146)</u>	<u>374,044</u>	<u>(1,648,958)</u>
0100 Fund Balances - Beginning	8,078,017	653,876	420,390	9,152,283
3000 Fund Balances - Ending	<u>\$ 6,257,161</u>	<u>\$ 451,730</u>	<u>\$ 794,434</u>	<u>\$ 7,503,325</u>

The accompanying notes are an integral part of this statement.

LONDON 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, 2022

Net change in fund balances - total governmental funds	\$ (1,648,958)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,782,577
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,334,033)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(95,896)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,258,196
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	1,199,000
The accretion of interest on capital appreciation bonds is not reported in the funds.	(103,690)
Bond premiums are reported in the funds but not in the SOA.	75,325
Bond discounts are reported in the funds but not in the SOA.	(113,450)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	86,082
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(11,886)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(1)
Rounding difference	
Change in net position of governmental activities - Statement of Activities	\$ <u>1,093,265</u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2022

August 31, 2022		Custodial Fund
Data Control Codes		Student Activity
ASSETS:		
1110	Cash and Cash Equivalents	\$ 102,308
1000	Total Assets	<u>102,308</u>
LIABILITIES:		
Current Liabilities:		
2110	Accounts Payable	\$ 16,138
2000	Total Liabilities	<u>16,138</u>
NET POSITION:		
3800	Restricted for Other Purposes	86,170
3000	Total Net Position	<u>\$ 86,170</u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

	Custodial Funds
ADDITIONS:	
Investment Income	\$ --
Contributions from Foundations, Gifts and Bequests	1,327
Student Group Fundraising Activities	253,735
Total Additions	<u>255,062</u>
DEDUCTIONS:	
Refunds of Contributions	--
Supplies and Materials	261,172
Total Deductions	<u>261,172</u>
Change in Fiduciary Net Position	(6,110)
Net Position-Beginning of the Year	92,280
Prior Period Adjustment	--
Net Position-End of the Year	<u><u>\$ 86,170</u></u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This is a governmental fund where principal or interest is set aside and accumulated to retire debt.

In addition, the District reports the following fund types:

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

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Property Taxes

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

	General Fund	Debt Service Fund	Total
Delinquent Taxes	\$ 121,889	\$ 33,710	\$ 155,599
Allowance for Uncollectibles	(102,926)	(30,610)	(133,536)
Net Taxes	<u>\$ 18,963</u>	<u>\$ 3,100</u>	<u>\$ 22,063</u>

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

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

b. 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.

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30-60
Building Improvements	15-20
Vehicles	8-10
Office Equipment	5-15

d. Deferred Outflows and Inflows of Resources

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

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

e. Receivable and Payable Balances

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

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

f. Compensated Absences

On retirement or death of certain employees, the District pays any accrued sick leave in a lump case payment to such employee or his/her estate. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

g. Interfund Activity

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

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Data Control Codes

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

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

k. Net Position Flow Assumption

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

l. Fund Balance Flow Assumptions

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

4. Pensions

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

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

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

GASB Statement No. 87, *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain leases assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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:

Budget Violation

	Actual Amount		
	Budget	Spent	Variance
<u>General Fund</u>			
11 Instruction	\$ 5,982,919	\$ 6,041,623	\$ (58,704)
12 Instructional Resources & Media	57,952	59,391	(1,439)
13 Curriculum and Staff Development	93,233	93,335	(102)
21 Instructional Leadership	85,494	96,454	(10,960)
33 Health Services	130,502	131,421	(919)
51 Plant Maintenance and Operations	1,826,190	1,831,773	(5,583)
52 Security	89,499	90,230	(731)

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

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

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

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, 2022, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,685,371 and the bank balance was \$2,124,446. The District's cash deposits at August 31, 2022 and during the year ended August 31, 2022, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

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

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>	
Lone Star Investment Pool	N/A	\$ <u>5,278,306</u>	AAAm

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. 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.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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.

D. Capital Assets

Capital asset activity for the year ended August 31, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 392,251	\$ --	\$ --	\$ 392,251
Construction in progress	--	120,096	--	120,096
Total capital assets not being depreciated	<u>392,251</u>	<u>120,096</u>	<u>--</u>	<u>512,347</u>
Capital assets being depreciated:				
Buildings and improvements	43,539,803	1,118,988	--	44,658,791
Equipment	929,337	235,955	--	1,165,292
Vehicles	1,387,785	307,538	--	1,695,323
Total capital assets being depreciated	<u>45,856,925</u>	<u>1,662,481</u>	<u>--</u>	<u>47,519,406</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,070,055)	(1,164,739)	--	(9,234,794)
Equipment	(392,883)	(76,559)	--	(469,442)
Vehicles	(797,067)	(92,734)	--	(889,801)
Total accumulated depreciation	<u>(9,260,005)</u>	<u>(1,334,032)</u>	<u>--</u>	<u>(10,594,037)</u>
Total capital assets being depreciated, net	<u>36,596,920</u>	<u>328,449</u>	<u>--</u>	<u>36,925,369</u>
Governmental activities capital assets, net	<u>\$ 36,989,171</u>	<u>\$ 448,545</u>	<u>\$ --</u>	<u>\$ 37,437,716</u>

Depreciation was charged to functions as follows:

Instruction	\$ 644,117
Instructional Resources and Media Services	5,933
Curriculum and Staff Development	16,995
Instructional Leadership	9,638
School Leadership	58,280
Guidance, Counseling, & Evaluation Services	30,826
Health Services	13,169
Student Transportation	92,734
Food Services	88,702
Extracurricular Activities	72,208
General Administration	66,693
Plant Maintenance and Operations	196,789
Security and Monitoring Services	10,379
Data Processing Services	27,569
	<u>\$ 1,334,032</u>

LONDON INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2022

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2022, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ --	Short-term loans
	Total	\$ --	

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2022, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General fund	Other Governmental Funds	\$ 1,150,000	Supplement other funds sources
	Total	\$ 1,150,000	

F. Long-Term Obligations

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2022, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
2014 Unlimited Tax School Building Bonds 4.0% \$	477,325 \$		\$ 123,196 \$	354,129 \$	120,686
2015 Unlimited Tax School Building Bonds 4.0%	2,190,000		270,000	1,920,000	275,000
2018 Unlimited Tax School Building and Refunding Bonds 4.0%-5.0%	3,135,000		615,000	2,520,000	630,000
2020 Unlimited Tax Refunding Bonds 2.411%	24,259,973		250,000	24,009,973	260,000
Total Bonds	30,062,298	--	1,258,196	28,804,102	1,285,686
Maintenance Tax Time Warrants 2015 2.5%	432,000		432,000	--	--
Limited Maintenance Tax Notes 2019 2.27%	767,000		767,000	--	--
Total Notes	1,199,000	--	1,199,000	--	--
Premium	1,754,357		75,325	1,679,032	

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

Accretion on Capital Appreciation Bonds	2,918,132	103,690	3,021,822
Deferred Loss on Bond Refunding	(2,836,265)	(113,451)	(2,722,814)
Total governmental activities	\$ <u>33,097,522</u>	\$ <u>103,690</u>	\$ <u>2,419,070</u>
Due Within One Year			(1,285,686)
Due in More Than One Year			\$ <u>29,496,456</u>
Net Pension Liability	\$ <u>2,542,455</u>	\$ <u>1,266,122</u>	\$ <u>1,276,333</u>
Net OPEB Liability	\$ <u>3,037,531</u>	\$ <u>284,587</u>	\$ <u>3,322,118</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General Fund
Claims and judgments	Governmental	General Fund
Net Pension Liability *	Governmental	General Fund

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2022, are as follows:

	Governmental Activities	
	Bonds	
Year Ending August 31:	Principal	Interest
2023	\$	
2024	1,285,686	838,203
2025	1,326,169	792,570
2026	1,307,274	754,116
2027	1,360,000	642,740
2028-2032	1,380,000	582,289
2033-2037	3,114,973	6,025,872
2038-2042	6,295,000	2,071,199
2043-2047	6,765,000	1,347,670
2048-2052	5,970,000	407,700
Totals	\$ <u>28,804,102</u>	\$ <u>13,462,359</u>

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2022, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

Bond Issue	Amount
2015 Unlimited Tax School Building Bonds	\$ 2,180,000
2014 Unlimited Tax School Building Bonds	8,725,000
2018 Unlimited Tax School Building Bonds	13,990,000
Total	<u>24,895,000</u>

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2022, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/Pages/about%20publications.aspx> ; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

3. Benefits Provided

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

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. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.

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

	<u>Contribution Rates</u>	
	<u>2021</u>	<u>2022</u>
Member	7.7%	8.0%
Non-Employer Contributing Entity (State)	7.5%	7.75%
Employers	7.5%	7.75%
District's 2022 Employer Contributions		\$ 264,243
District's 2022 Member Contributions		\$ 579,299
2021 NECE On-Behalf Contributions (State)		\$ 428,980

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

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

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.6 percent of the member's salary beginning in fiscal year 2021, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

5. Actuarial Assumptions

The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	1.95% *
Last year ending August 31 in Projection Period	2120
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

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

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions, please see the actuarial valuation report dated November 9, 2020.

6. Discount Rate

A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25 percent. 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 System's target asset allocation as of August 31, 2021 are summarized below:

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Asset Class *	Target Allocation **	Long-Term Expected Arithmetic Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	3.6%	0.94%
Non-U.S. Developed	13.0%	4.4%	0.83%
Emerging Markets	9.0%	4.6%	0.74%
Private Equity	14.0%	6.3%	1.36%
Stable Value			
Government Bonds	16.0%	(0.2)%	0.01%
Absolute Return	0.0%	1.1%	0.00%
Stable Value Hedge Funds	5.0%	2.2%	0.12%
Real Return			
Real Estate	15.0%	4.5%	1.00%
Energy, Natural Resources and Infrastructure	6.0%	4.7%	0.35%
Commodities	0.0%	1.7%	0.00%
Risk Parity	8.0%	2.8%	0.28%
Asset Allocation Leverage			
Cash	2.0%	(0.7)%	(0.01)%
Asset Allocation Leverage	(6.0%)	(0.5)%	0.03%
Inflation Expectation			2.20%
Volatility Drag ****	-		(0.95)%
Expected Return	<u>100.0%</u>		<u>6.90%</u>
* Absolute Return includes Credit Sensitive Investments. ** Target allocations are based on the FY2021 policy model. *** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021) **** The volatility drag results from the conversion between arithmetic and geometric mean returns.			

7. Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using a discount rate of 7.25 percent, and what the net position liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability:	\$ 2,788,989	\$ 1,276,333	\$ 49,109

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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

At August 31, 2022, the District reported a liability of \$1,276,333 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1,276,333
State's proportionate share that is associated with District	<u>2,559,971</u>
Total	<u>\$ 3,836,304</u>

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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, 2020 thru August 31, 2021.

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.005011818 percent which was an increase (decrease) of 0.00000000 percent from its proportion measured as of August 31, 2020.

9. Changes Since the Prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2022, the District recognized pension expense of \$10,234 and revenue of \$10,234 for support provided by the State.

At August 31, 2022, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Actuarial Experience	\$ 2,136	\$ 89,855
Changes in Actuarial Assumptions	451,159	196,666
Difference Between Projected and Actual Investment Earnings	--	1,070,188
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	227,688	6,096
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability (to be calculated by employer)	264,243	--
Total	<u>\$ 945,226</u>	<u>\$ 1,362,805</u>

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:

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

Year ended August 31,	Pension Expense Amount
2023	\$ (88,376)
2024	\$ (103,226)
2025	\$ (207,551)
2026	\$ (296,877)
2027	\$ 10,617
Thereafter	\$ 3,590

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

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

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

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

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

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

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

LONDON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2022

4. Contributions

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. 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.

Contribution Rates	
	2022
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/Private Funding remitted by Employers	1.25%

District's 2022 Employer Contributions	\$	73,313
District's 2022 Member Contributions	\$	47,190
2021 NECE On-Behalf Contributions (state)	\$	90,142

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions:

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Health Care Trend Rates	8.5% to 4.25%
Election Rates	Normal Retirement - 65% participation rate prior to age 65 and 40% participation rate after age 65. Pre-65 retirees - 25% are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

The initial medical trend rates were 8.50 percent for Medicare retirees and 7.10 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 12 years.

6. Discount Rate

A single discount rate of 1.95 percent was used to measure the Total OPEB Liability. This was a decrease of 0.38 percent 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 used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2021 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (1.95%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (0.95%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District's proportionate share of the Net OPEB Liability:	\$ 4,007,240	\$ 3,322,118	\$ 2,782,905

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

At August 31, 2022, the District reported a liability of \$194,637 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the Net OPEB Liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 3,322,118
State's proportionate share that is associated with the District	\$ 4,450,898
Total	<u>\$ 7,773,016</u>

The Net OPEB liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At August 31, 2022 the District's proportion of the collective net OPEB liability was 0.0086122203, compared ERR

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

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of Net OPEB Liability:	\$ 2,690,806	\$ 3,322,118	\$ 4,169,183

9. 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 (TOL) since the prior measurement period:

- The discount rate was changed from 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased the Total OPEB Liability.

Changes of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

The amount of OPEB expense recognized by the District in the reporting period was \$(164,272).

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

At August 31, 2022, 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 sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 143,033	\$ 1,608,138
Changes in actuarial assumptions	367,964	702,567
Difference between projected and actual investment earnings	3,606	
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	1,268,572	
Contributions paid to TRS subsequent to the measurement date	73,313	
Total	<u>\$ 1,856,488</u>	<u>\$ 2,310,705</u>

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

Year ended August 31:	OPEB Expense Amount
2023	\$ (158,083)
2024	\$ (158,164)
2025	\$ (158,144)
2026	\$ (70,696)
2027	\$ 47,693
Thereafter	\$ (30,135)

For the year ended August 31, 2022, the District recognized OPEB expense of \$(164,272) and revenue of \$(164,272) for support provided by the State.

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2022, the subsidy payment received by TRS-Care on behalf of the District was \$31,381.

J. Employee Health Care Coverage

During the year ended August 31, 2022, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$255 per pay period per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

Latest financial statements have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

K. Commitments and Contingencies

1. Contingencies

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

L. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through January 9, 2023, (the date of the Audit Report). The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles.

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.

LONDON INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 6,673,000	\$ 6,721,152	\$ 6,717,811	\$ (3,341)
5800	State Program Revenues	5,578,005	5,155,375	5,871,213	715,838
5900	Federal Program Revenues	40,000	9,867	9,867	--
5020	Total Revenues	12,291,005	11,886,394	12,598,891	712,497
EXPENDITURES:					
Current:					
Instruction and Instructional Related Services:					
0011	Instruction	6,121,245	5,982,919	6,041,623	(58,704)
0012	Instructional Resources and Media Services	84,275	57,952	59,391	(1,439)
0013	Curriculum and Staff Development	87,500	93,233	93,335	(102)
	Total Instruction and Instr. Related Services	6,293,020	6,134,104	6,194,349	(60,245)
Instructional and School Leadership:					
0021	Instructional Leadership	89,060	85,494	96,454	(10,960)
0023	School Leadership	643,785	585,467	580,875	4,592
	Total Instructional and School Leadership	732,845	670,961	677,329	(6,368)
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	268,420	316,648	310,242	6,406
0033	Health Services	161,010	130,502	131,421	(919)
0034	Student (Pupil) Transportation	722,100	960,374	955,025	5,349
0036	Cocurricular/Extracurricular Activities	706,873	599,344	599,287	57
	Total Support Services - Student (Pupil)	1,858,403	2,006,868	1,995,975	10,893
Administrative Support Services:					
0041	General Administration	668,910	655,585	654,219	1,366
	Total Administrative Support Services	668,910	655,585	654,219	1,366
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,910,950	1,826,190	1,831,773	(5,583)
0052	Security and Monitoring Services	106,120	89,499	90,230	(731)
0053	Data Processing Services	224,550	282,780	278,946	3,834
	Total Support Services - Nonstudent Based	2,241,620	2,198,469	2,200,949	(2,480)
Debt Service:					
0071	Principal on Long-Term Debt	255,211	1,199,000	1,199,000	--
0073	Bond Issuance Costs and Fees	--	22,896	22,896	--
	Total Debt Service	255,211	1,221,896	1,221,896	--
Capital Outlay:					
0081	Capital Outlay	--	221,244	221,244	--
	Total Capital Outlay	--	221,244	221,244	--
0099	Other Intergovernmental Charges	140,000	103,786	103,786	--
	Total Intergovernmental Charges	140,000	103,786	103,786	--
6030	Total Expenditures	12,190,009	13,212,913	13,269,747	(56,834)
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	100,996	(1,326,519)	(670,856)	655,663

LONDON INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Other Financing Sources (Uses):				
8911	Transfers Out	--	(1,150,000)	(1,150,000)	--
7080	Total Other Financing Sources and (Uses)	--	(1,150,000)	(1,150,000)	--
1200	Net Change in Fund Balance	100,996	(2,476,519)	(1,820,856)	655,663
0100	Fund Balance - Beginning	8,078,017	8,078,017	8,078,017	--
3000	Fund Balance - Ending	<u>\$ 8,179,013</u>	<u>\$ 5,601,498</u>	<u>\$ 6,257,161</u>	<u>\$ 655,663</u>

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

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014		
District's proportion of the net pension liability (asset)	0.0050118180%	0.0047471080%	0.0047677787%	0.0044749576%	0.0042165835%	0.0039598355%	0.0040661000%	0.0020426000%		
District's proportionate share of the net pension liability (asset)	\$ 1,276,333	\$ 2,542,455	\$ 2,478,440	\$ 2,463,125	\$ 1,348,236	\$ 1,496,363	\$ 1,437,312	\$ 545,607		
State's proportionate share of the net pension liability (asset) associated with the District	2,559,971	5,021,950	4,401,920	4,510,098	2,761,108	3,090,513	2,671,442	2,343,238		
Total	<u>\$ 3,836,304</u>	<u>\$ 7,564,405</u>	<u>\$ 6,880,360</u>	<u>\$ 6,973,223</u>	<u>\$ 4,109,344</u>	<u>\$ 4,586,876</u>	<u>\$ 4,108,754</u>	<u>\$ 2,888,845</u>		
District's covered-employee payroll	\$ 6,919,499	\$ 6,331,119	\$ 5,635,805	\$ 5,291,183	\$ 5,184,244	\$ 4,617,337	\$ 4,161,771	\$ 3,895,982		
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	18.45%	40.16%	43.98%	46.55%	26.01%	32.41%	34.54%	14.00%		
Plan fiduciary net position as a percentage of the total pension liability	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%		

* This schedule is presented to 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.

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

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015		
Contractually required contribution	\$ 264,243	\$ 199,621	\$ 257,414	\$ 157,975	\$ 150,486	\$ 145,832	\$ 125,814	\$ 120,398		
Contributions in relation to the contractually required contribution	(264,243)	(199,621)	(257,414)	(157,975)	(150,486)	(145,832)	(125,814)	(120,398)		
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --		
District's covered-employee payroll	\$ 7,373,309	\$ 6,919,499	\$ 6,331,119	\$ 5,631,959	\$ 5,291,181	\$ 5,184,244	\$ 4,617,337	\$ 4,161,771		
Contributions as a percentage of covered-employee payroll	3.58%	2.88%	4.07%	2.80%	2.84%	2.81%	2.72%	2.89%		

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

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

	Measurement Year Ended			
	2021	2020	2019	2018
				2017
District's proportion of the collective net OPEB liability	0.0086122203%	0.0079904496%	0.0073734381%	0.0061911376%
District's proportionate share of the collective net OPEB liability	\$ 3,322,118	\$ 3,037,531	\$ 3,486,989	\$ 3,091,292
State proportionate share of the collective net OPEB liability associated with the District	\$ 4,450,898	\$ 4,081,713	\$ 4,633,429	\$ 4,577,097
Total	\$ 7,773,016	\$ 7,119,244	\$ 8,120,418	\$ 7,668,389
District's covered-employee payroll	\$ 6,919,499	\$ 6,331,119	\$ 5,635,805	\$ 5,291,183
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	48.01%	47.98%	61.87%	58.42%
Plan fiduciary net position as a percentage of the total OPEB liability	6.18%	4.99%	2.66%	1.57%
				0.91%

* This schedule is presented to 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.

LONDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year Ended			
	2022	2021	2020	2019
Statutorily or contractually required District contribution	\$ 73,313 \$	71,462 \$	68,496 \$	54,259 \$
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(73,313)	(71,462)	(68,496)	(54,259)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 7,373,309 \$	6,919,499 \$	6,331,119 \$	5,631,959 \$
Contributions as a percentage of covered-employee payroll	0.99%	1.03%	1.08%	0.96%
				0.80%

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

LONDON INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED AUGUST 31, 2022

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared 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.

Each amendment must have Board approval. 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.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

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

Other Post-Employment Benefit Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total OPEB 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.

LONDON INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2022

Data Control Codes	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:			
1110 Cash and Cash Equivalents	\$ 544,949	\$ (8,662)	\$ 536,287
1120 Current Investments	163,505	100,880	264,385
1240 Due from Other Governments	84,572	--	84,572
1000 Total Assets	<u>793,026</u>	<u>92,218</u>	<u>885,244</u>
LIABILITIES:			
Current Liabilities:			
2110 Accounts Payable	\$ 2,908	\$ 33,528	\$ 36,436
2160 Accrued Wages Payable	25,110	--	25,110
2190 Due to Student Groups	1	--	1
2300 Unearned Revenue	29,263	--	29,263
2000 Total Liabilities	<u>57,282</u>	<u>33,528</u>	<u>90,810</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450 Federal/State Funds Grant Restrictions	560,625	--	560,625
3490 Other Restrictions of Fund Balance	175,119	--	175,119
Committed Fund Balances:			
3510 Construction	--	58,690	58,690
3000 Total Fund Balances	<u>735,744</u>	<u>58,690</u>	<u>794,434</u>
4000 Total Liabilities and Fund Balances	<u>\$ 793,026</u>	<u>\$ 92,218</u>	<u>\$ 885,244</u>

LONDON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 Local and Intermediate Sources	\$ 528,607	\$ 1,797	\$ 530,404
5800 State Program Revenues	37,754	--	37,754
5900 Federal Program Revenues	1,488,430	--	1,488,430
5020 Total Revenues	<u>2,054,791</u>	<u>1,797</u>	<u>2,056,588</u>
EXPENDITURES:			
Current:			
0011 Instruction	510,605	--	510,605
0012 Instructional Resources and Media Services	1,328	--	1,328
0013 Curriculum and Staff Development	67,914	--	67,914
0021 Instructional Leadership	969	--	969
0023 School Leadership	10,743	--	10,743
0031 Guidance, Counseling, and Evaluation Services	4,566	--	4,566
0033 Health Services	3,256	--	3,256
0034 Student Transportation	15,340	--	15,340
0035 Food Service	835,514	--	835,514
0036 Cocurricular/Extracurricular Activities	99,186	--	99,186
0041 General Administration	7,738	--	7,738
0051 Facilities Maintenance and Operations	30,706	64,576	95,282
0052 Security and Monitoring Services	11,187	--	11,187
0053 Data Processing Services	4,358	--	4,358
0081 Capital Outlay	--	1,164,558	1,164,558
6030 Total Expenditures	<u>1,603,410</u>	<u>1,229,134</u>	<u>2,832,544</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>451,381</u>	<u>(1,227,337)</u>	<u>(775,956)</u>
Other Financing Sources and (Uses):			
7915 Transfers In	--	1,150,000	1,150,000
7080 Total Other Financing Sources and (Uses)	--	1,150,000	1,150,000
1200 Net Change in Fund Balances	<u>451,381</u>	<u>(77,337)</u>	<u>374,044</u>
0100 Fund Balances - Beginning	284,363	136,027	420,390
3000 Fund Balances - Ending	<u>\$ 735,744</u>	<u>\$ 58,690</u>	<u>\$ 794,434</u>

LONDON INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2022

Data Control Codes	224 IDEA-Part B Formula	240 National School Breakfast/Lunch Program
ASSETS:		
1110 Cash and Cash Equivalents	\$ (95)	\$ 404,338
1120 Current Investments	--	163,505
1240 Due from Other Governments	95	48,189
1000 Total Assets	<u>--</u>	<u>616,032</u>
LIABILITIES:		
Current Liabilities:		
2110 Accounts Payable	\$ --	\$ 1,034
2160 Accrued Wages Payable	--	25,110
2190 Due to Student Groups	--	--
2300 Unearned Revenue	--	29,263
2000 Total Liabilities	<u>--</u>	<u>55,407</u>
FUND BALANCES:		
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	--	560,625
3490 Other Restrictions of Fund Balance	--	--
3000 Total Fund Balances	<u>--</u>	<u>560,625</u>
4000 Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ 616,032</u>

EXHIBIT H-3

282 ESSER Fund III of the American Rescue Plan Act	429 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ (11,288)	\$ (25,000)	\$ 176,994	\$ 544,949
--	--	--	163,505
11,288	25,000	--	84,572
--	--	176,994	793,026
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
\$ --	\$ --	\$ 1,874	\$ 2,908
--	--	--	25,110
--	--	1	1
--	--	--	29,263
--	--	1,875	57,282
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
--	--	--	560,625
--	--	175,119	175,119
--	--	175,119	735,744
<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>
\$ --	\$ --	\$ 176,994	\$ 793,026

LONDON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-Part B Formula	225 IDEA-Part B Preschool Grant
REVENUES:			
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --
5800 State Program Revenues	--	--	--
5900 Federal Program Revenues	49,145	165,513	1,835
5020 Total Revenues	<u>49,145</u>	<u>165,513</u>	<u>1,835</u>
EXPENDITURES:			
Current:			
0011 Instruction	--	165,513	1,835
0012 Instructional Resources and Media Services	--	--	--
0013 Curriculum and Staff Development	49,145	--	--
0021 Instructional Leadership	--	--	--
0023 School Leadership	--	--	--
0031 Guidance, Counseling, and Evaluation Services	--	--	--
0033 Health Services	--	--	--
0034 Student Transportation	--	--	--
0035 Food Service	--	--	--
0036 Cocurricular/Extracurricular Activities	--	--	--
0041 General Administration	--	--	--
0051 Facilities Maintenance and Operations	--	--	--
0052 Security and Monitoring Services	--	--	--
0053 Data Processing Services	--	--	--
6030 Total Expenditures	<u>49,145</u>	<u>165,513</u>	<u>1,835</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--
1100 Expenditures	--	--	--
1200 Net Change in Fund Balances	--	--	--
0100 Fund Balances - Beginning	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	266 Coronavirus Aid Relief, and Economic Security Act	282 ESSER Fund III of the American Rescue Plan Act	289 Title IV, Part A, Subpart 1
\$ 375,925	\$ --	\$ --	\$ --	\$ --
12,754	--	--	--	--
831,867	18,004	41,250	370,816	10,000
<u>1,220,546</u>	<u>18,004</u>	<u>41,250</u>	<u>370,816</u>	<u>10,000</u>
--	--	41,250	302,007	--
--	--	--	1,328	--
--	18,004	--	765	--
--	--	--	969	--
--	--	--	10,743	--
--	--	--	4,566	--
--	--	--	3,256	--
--	--	--	15,340	--
823,426	--	--	12,088	--
--	--	--	765	--
--	--	--	7,738	--
--	--	--	5,706	--
--	--	--	1,187	10,000
--	--	--	4,358	--
<u>823,426</u>	<u>18,004</u>	<u>41,250</u>	<u>370,816</u>	<u>10,000</u>
397,120	--	--	--	--
<u>397,120</u>	--	--	--	--
163,505	--	--	--	--
<u>\$ 560,625</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

LONDON INDEPENDENT SCHOOL DISTRICTCOMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	429 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
REVENUES:			
5700 Local and Intermediate Sources	\$ --	\$ 152,682	\$ 528,607
5800 State Program Revenues	25,000	--	37,754
5900 Federal Program Revenues	--	--	1,488,430
5020 Total Revenues	<u>25,000</u>	<u>152,682</u>	<u>2,054,791</u>
EXPENDITURES:			
Current:			
0011 Instruction	--	--	510,605
0012 Instructional Resources and Media Services	--	--	1,328
0013 Curriculum and Staff Development	--	--	67,914
0021 Instructional Leadership	--	--	969
0023 School Leadership	--	--	10,743
0031 Guidance, Counseling, and Evaluation Services	--	--	4,566
0033 Health Services	--	--	3,256
0034 Student Transportation	--	--	15,340
0035 Food Service	--	--	835,514
0036 Cocurricular/Extracurricular Activities	--	98,421	99,186
0041 General Administration	--	--	7,738
0051 Facilities Maintenance and Operations	25,000	--	30,706
0052 Security and Monitoring Services	--	--	11,187
0053 Data Processing Services	--	--	4,358
6030 Total Expenditures	<u>25,000</u>	<u>98,421</u>	<u>1,603,410</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--
1100 Expenditures	--	54,261	451,381
1200 Net Change in Fund Balances	--	54,261	451,381
0100 Fund Balances - Beginning	--	120,858	284,363
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 175,119</u>	<u>\$ 735,744</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.

LONDON INDEPENDENT SCHOOL DISTRICTSCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2022

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2013 and Prior Years	\$	Various	\$	Various	\$	Various
2014		.96		.2911		265,092,453
2015		.9589		.4362		284,060,862
2016		.9657		.3901		326,098,495
2017		.971		.3865		343,359,293
2018		1.04		.3092		389,640,925
2019		.9251		.3784		713,333,797
2020		.96		.3875		675,033,134
2021		.9564		.3612		665,049,543
2022 (School Year Under Audit)		.9255		.2752		712,085,556

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

--

10 Beginning Balance 9/1/21	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/22
\$ 17,709	\$ --	\$ --	\$ --	\$ (2,916)	\$ 14,793
19,959	--	223	68	--	19,669
12,430	--	190	86	--	12,154
5,808	--	103	42	--	5,664
4,259	--	607	242	--	3,411
4,569	--	556	165	--	3,847
9,830	--	363	148	--	9,318
18,564	--	1,795	725	(5,717)	10,328
75,385	--	27,461	10,371	(4,748)	32,805
--	8,517,419	6,481,827	1,927,669	(64,313)	43,611
<u>\$ 168,513</u>	<u>\$ 8,517,419</u>	<u>\$ 6,513,124</u>	<u>\$ 1,939,516</u>	<u>\$ (77,693)</u>	<u>\$ 155,599</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

LONDON INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
AS OF AUGUST 31, 2022

Data Control Codes	Responses
<u>Section A: Compensatory Education Programs</u>	
AP1 Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2 Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3 List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 305,305
AP4 List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30, 34)	\$ 183,333
<u>Section B: Bilingual Education Programs</u>	
AP5 Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6 Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7 List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 6,158
AP8 List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 811

LONDON INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT J-3

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
REVENUES:				
5700	Local and Intermediate Sources	\$ 375,924	\$ 375,925	\$ 1
5800	State Program Revenues	12,754	12,754	--
5900	Federal Program Revenues	829,661	831,867	2,206
5020	Total Revenues	<u>1,218,339</u>	<u>1,220,546</u>	<u>2,207</u>
EXPENDITURES:				
Current:				
	Support Services - Student (Pupil):			
0035	Food Services	824,996	823,426	1,570
	Total Support Services - Student (Pupil)	<u>824,996</u>	<u>823,426</u>	<u>1,570</u>
6030	Total Expenditures	<u>824,996</u>	<u>823,426</u>	<u>1,570</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	393,343	397,120	3,777
1200	Net Change in Fund Balance	<u>393,343</u>	<u>397,120</u>	<u>3,777</u>
0100	Fund Balance - Beginning	163,505	163,505	--
3000	Fund Balance - Ending	<u>\$ 556,848</u>	<u>\$ 560,625</u>	<u>\$ 3,777</u>

LONDON INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT J-4

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 1,910,227	\$ 1,911,936	\$ 1,709
5800	State Program Revenues	27,757	27,757	--
5020	Total Revenues	<u>1,937,984</u>	<u>1,939,693</u>	<u>1,709</u>
	EXPENDITURES:			
	Debt Service:			
0071	Principal on Long-Term Debt	1,258,196	1,258,195	1
0072	Interest on Long-Term Debt	879,544	879,544	--
0073	Bond Issuance Costs and Fees	4,099	4,100	(1)
	Total Debt Service	<u>2,141,839</u>	<u>2,141,839</u>	<u>--</u>
6030	Total Expenditures	<u>2,141,839</u>	<u>2,141,839</u>	<u>--</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>(203,855)</u>	<u>(202,146)</u>	<u>1,709</u>
1200	Net Change in Fund Balance	<u>(203,855)</u>	<u>(202,146)</u>	<u>1,709</u>
0100	Fund Balance - Beginning	653,876	653,876	--
3000	Fund Balance - Ending	<u>\$ 450,021</u>	<u>\$ 451,730</u>	<u>\$ 1,709</u>



GOWLAND, MORALES & SMITH, PLLC

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

Board of Trustees
London Independent School District
1306 FM 43
Corpus Christi, Texas 78415

Members of the Board of Trustees:

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of London Independent School District, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise London Independent School District's basic financial statements, and have issued our report thereon dated January 9, 2023.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Gowland, Morales, & Smith, PLLC

Gowland, Morales & Smith, PLLC

Corpus Christi, Texas
January 9, 2023



GOWLAND, MORALES & SMITH, PLLC

Certified Public Accountants

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

Board of Trustees
London Independent School District
1306 FM 43
Corpus Christi, Texas 78415

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited London Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of London Independent School District's major federal programs for the year ended August 31, 2022. London Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, London Independent School District complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding London Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of London Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of London Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,

Gowland, Morales, & Smith, PLLC

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Corpus Christi, Texas
January 9, 2023

LONDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

Version of compliance supplement used in audit: August 2022

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

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
School Lunch Program Cluster:	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	National School Lunch Program (Non-Cash)

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

Auditee qualified as low-risk auditee? Yes x No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

LONDON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2022

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
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NONE - N/A

LONDON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2022

NONE REQUIRED - N/A

LONDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT K-1

(1)	(2)	(2A)		(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	71402201	\$ --	\$ 96,718
National School Lunch Program (Non-cash)	10.555	178906	--	45,207
2022 Supply chain Assistance Grant	10.555	6TX300400	--	7,273
National School Lunch Program	10.555	71302201	--	682,669
Total ALN Number 10.555			--	735,150
Total Passed Through State Department of Education			--	831,867
Total U. S. Department of Agriculture			--	831,867
Total Child Nutrition Cluster			--	831,867
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA-Part B, Formula	84.027A	2266000117890	--	165,513
IDEA-Part B, Preschool	84.173A	2266100117890	--	1,835
Total Passed Through State Department of Education			--	167,348
Total U. S. Department of Education			--	167,348
Total Special Education (IDEA) Cluster			--	167,348
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Direct Program:				
Title IV, Part A, Subpart 1	84.424A	2268010117890	--	10,000
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010A	2261010117890	--	49,145
ESEA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	2269450117890	--	18,004
Coronavirus Aid, Relief, and Economic Security (CARES) Act - ESSER	84.425D	2052100117890	--	41,250
ESSER Fund III of the American Rescue Plan Act of 2021	84.425U	2152800117890	--	370,816
Total Passed Through State Department of Education			--	479,215
Total U. S. Department of Education			--	489,215
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 1,488,430
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 1,488,430
School Health and Related Services				9,867
TOTAL PER EXHIBIT C-2				1,498,297

The accompanying notes are an integral part of this schedule.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of London Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

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

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

LONDON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2022

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ 3,021,822