



GOWLAND, STREALLY, MORALES & COMPANY, PLLC

Certified Public Accountants

5934 S. Staples St. Ste. 201
Corpus Christi, TX 78413
Telephone: (361) 993-1000
Fax: (361) 991-2880

November 18, 2021

Board of Trustees
London Independent School District

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of London Independent School District for the year ended August 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 12, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by London Independent School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allowance for uncollectible taxes receivable is based on an analysis of the collectability of the individual accounts. We evaluated the assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements (Journal Entries)

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has indicated they will make all journal entries proposed.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 18, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

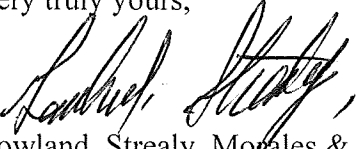
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Trustees and management of the London Independent School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Gowland, Streaty, Morales & Co., PLLC

**LONDON
INDEPENDENT
SCHOOL DISTRICT**

Annual Financial Report

For the Year Ended August 31, 2021



GOWLAND, STREALLY, MORALES & COMPANY, PLLC

Certified Public Accountants

London Independent School District
Annual Financial Report
For The Year Ended August 31, 2021

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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, 2021, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

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



5934 S. Staples St. Ste. 201
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Telephone: (361) 993-1000
Fax: (361) 991-2880

GOWLAND, STREALY, MORALES & COMPANY, PLLC

Certified Public Accountants

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

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of London Independent School District as of August 31, 2021, 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.

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021 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 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,

A handwritten signature in black ink, appearing to read "David Streaty, Morales & Co.", written in a cursive style.

Gowland, Streaty, Morales & Co., PLLC

Corpus Christi, Texas
November 18, 2021

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, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

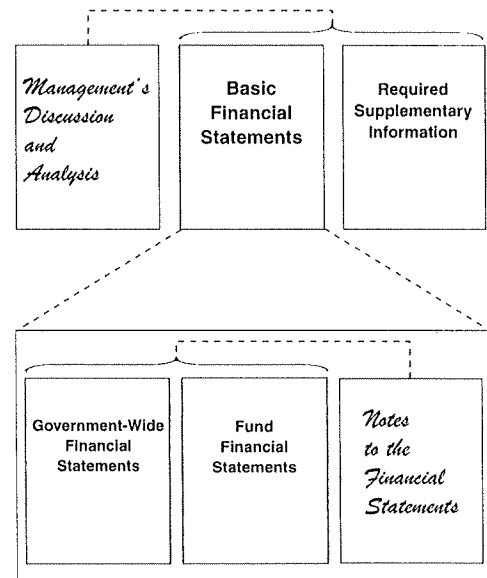
- The District's total combined net position was \$7,617,447 at August 31, 2021.
- During the year, the District's expenses were \$758,113 lower than the \$15,476,117 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$518,149 higher than last year.
- The general fund reported a fund balance this year of \$8,078,017 an increase of \$577,567.

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.

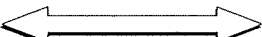
Summary  Detail

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 7,617,747, August 31, 2021. (See Table A-1).

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

	Governmental Activities		Total Change 2021-2020
	2021	2020	
Current and Other Assets	\$ 10,998,831	\$ 10,678,578	\$ 320,253
Capital and Non-Current	36,989,173	37,159,859	(170,686)
Total Assets	<u>47,988,004</u>	<u>47,838,437</u>	<u>149,567</u>
Deferred Outflows of Resources	<u>2,589,100</u>	<u>2,713,234</u>	<u>(124,134)</u>
Current Liabilities	1,728,592	1,184,864	543,728
Noncurrent Liabilities	<u>38,677,508</u>	<u>40,595,110</u>	<u>(1,917,602)</u>
Total Liabilities	<u>40,406,100</u>	<u>41,779,974</u>	<u>(1,373,874)</u>
Deferred Inflows Related to Pensions	<u>2,553,557</u>	<u>1,912,362</u>	<u>641,195</u>
Net Assets Invested in			
Capital Assets net of			
Related Debt	5,845,812	4,633,621	1,212,191
Restricted	1,074,264	1,921,668	(847,404)
Unrestricted	<u>697,371</u>	<u>304,046</u>	<u>393,325</u>
Total Net Position	<u>\$ 7,617,447</u>	<u>\$ 6,859,335</u>	<u>\$ 758,112</u>

Net position Invested in Capital Assets net of related Debt reflects the book value of the District's capital assets at \$5,845,812 less related debt. The District's restricted net position includes state and federal programs, debt service, and campus activities. The \$697,371 of unrestricted net assets represents resources available for investments, capital projects and programs.

Changes in net position. The District's total revenues were \$15,476,117. Of that, 55 percent of the District's revenue comes from taxes, 30 percent comes from state aid not restricted to specific programs, and 10 percent comes from operating grants, while only 4 percent relates to charges for services.

The total cost of all programs and services was \$14,718,004; 64 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 \$1.3475/100 to \$1.3176/100, which includes \$.3612/100 for debt service on bonds, and \$.9564/100 maintenance and operations.
- Certified property values totaled \$668,310,709, a 1.10% decrease from the prior year value of \$675,033,134, the net result of a continued increase in residential growth along with increased exemptions and a decrease in personal property and the continued decline in the appraised value of the 2018 wind farm.

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

	Governmental Activities		Total Change
	2021	2020	2021-2020
Program Revenues:			
Charges for Services	\$ 637,383	\$ 470,007	\$ 167,376
Operating Grants and Contributions	1,548,950	695,162	853,788
General Revenues:			-
Property Taxes	8,573,041	8,902,073	(329,032)
State Aid – Formula	4,692,542	4,340,098	352,444
Investment Earnings	3,825	167,441	(163,616)
Other	20,376	36,858	(16,482)
Total Revenues	<u>15,476,117</u>	<u>14,611,639</u>	<u>864,478</u>
Instruction	6,817,656	6,263,938	553,718
Instructional Resources and Media Services	222,070	268,454	(46,384)
Curriculum Dev. And Instructional Staff Dev.	38,143	19,395	18,748
Instructional Leadership	310,728	248,894	61,834
School Leadership	# 630,962	730,298	(99,336)
Guidance, Counseling and Evaluation Services	289,935	291,803	(1,868)
Health Services	151,774	145,213	6,561
Student (Pupil) Transportation	429,216	482,618	(53,402)
Food Services	739,430	594,172	145,258
Curricular/Extracurricular	842,901	768,633	74,268
General Administration	675,971	553,313	122,658
Plant Maintenance & Oper.	1,921,471	1,621,556	299,915
Security and Monitoring Services	124,886	123,124	1,762
Data Processing Services	283,842	119,544	164,298
Bond Issuance Costs and Fees	217,520	4,800	212,720
Interest on Long-term Debt	909,436	1,404,222	(494,786)
Capital Outlay	8,937	453,660	(444,723)
Other Intergovernmental Charges	103,126	106,218	(3,092)
Total Expenses	<u>14,718,004</u>	<u>14,199,855</u>	<u>518,149</u>
Change in Net Position	758,113	411,784	346,329
Net Position Beginning	6,859,334	6,590,333	269,001
Special Items	0	(142,782)	142,782
Net Position Ending	<u>\$ 7,617,447</u>	<u>\$ 6,859,335</u>	<u>\$ 758,112</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 \$14,718,004.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$8,573,041.
- Some of the cost was paid by those who directly benefited from the programs \$637,383, or
- By grants and contributions \$1,548,950.

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

	Total Cost of Services		% Change	Net cost of Services		% Change
	2021	2020		2021	2020	
Instruction	\$ 6,817,656	\$ 6,263,938	8.84%	\$ 5,968,785	\$ 5,855,835	1.93%
Plant Maintenance & Operations	1,921,471	1,621,556	18.50%	1,739,586	1,530,232	13.68%
General Administration	675,971	553,313	22.17%	622,608	525,160	18.56%
Student(Pupil) Transportation	429,216	482,618	-11.07%	399,515	460,108	-13.17%
Food Service	739,430	594,172	24.45%	26,484	201,845	-86.88%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$15,476,117, an increase of 5.92% from the preceding year. Revenue increased \$853,788 from operating grants and contributions and \$167,376 in charges for services. Both of these increases were impacted by Food Service Fund operations with students returning to campus and the Federal Child Nutrition program providing free meals during the last two months of operation. Although property taxes decreased, State Aide increased a comparable amount. There was also a large decrease in interest on investments as rates declined 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 \$207,702 below final budget amounts, a variance of only 1.8%. Adequate budgeting resulted in no significant variance and all functional expenditures were within budget.

Total revenues were \$147,814 below the final budgeted amount. State funding was \$91,014 lower as a result of final state funding amounts based on final average daily attendance, and \$56,800 from lower final cost calculation of TRS On-Behalf.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020-21, the District had invested \$46,249,178 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
	2021	2020	2021-2020
Land	\$ 392,252	\$ 392,252	\$ -
Buildings and Improvements	43,539,803	24,767,368	18,772,435
Vehicles	1,387,785	1,396,990	(9,205)
Furniture and Equipment	929,338	883,843	45,495
Construction in Progress	-	17,819,620	(17,819,620)
Totals at historical cost	46,249,178	45,260,073	989,105
			-
Total accumulated depreciation	9,260,004	8,100,214	1,159,790
Net capital assets	\$ 36,989,174	\$ 37,159,859	\$ (170,685)

Long Term Debt

The District has \$30,062,298 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 \$1,199,000. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

	Governmental Activities		Total Percentage Change 2021-2020
	2021	2020	
Bonds payable	\$ 30,062,298	\$ 31,701,547	-5.2%
Maintenance Tax Notes	1,199,000	1,418,000	-15.4%
Premium	1,754,357	1,510,134	16.2%
Accretion on Capital Appreciation			
Bonds	2,918,132		100.0%
Deferred Loss on Bond Refunding	(2,836,265)		100.0%
Total bonds & notes payable	<u>\$ 33,097,522</u>	<u>\$ 34,629,681</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 3.6% from \$9,337 per average daily attendance (ADA) in 2020-21 to \$9,003 in 2021-22. The decreased cost per ADA is a result of the increase in Student enrollment of approximately 8.4%. There was no overall decrease in budgeted expenditures.
- Total tax rate for 2021-22 will decrease by 11.686 cents from \$1.3176 to \$1.20074 per \$100 property valuation. The M&O tax rate will decrease 3.09 cents to \$.9255/100. The I&S rate which pays for outstanding bonds will decrease 8.596 cents to \$.27524/100. In addition, approximately \$200,00 of the I&S Fund fund balance will be to lower the required tax rate.
- Earnings on investments dropped because of significantly lower interest rates. Lower investment pool rates are expected for most of the next year.
- The cost of property insurance increased 66% from 2019-20 to 2020-21 and is expected to increase an additional 30% for 2021-22. The 2021-22 budget of \$488,749 cost is a result of hurricane and cold weather losses that have occurred in Texas and the US in 2017 and 2021. 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 2021-22. Twelve new positions will be added to address expected enrollment growth of 8.4%.
- The Board of Trustees will address a possible bond proposal and election for 2022. Facilities needs for the fast growth of the District are a Board priority.
- The District expects continued enrollment growth as a result of at least four large 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 2021-22. Revenues available for appropriation in the general fund budget are \$12,291,005, an increase of 2.67% over the final 2020-21 revenue budget of \$11,972,465. A property value increase of 10% will provide increased tax revenue of \$253,000 despite the rate decrease. 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 2021-22 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 2021-22 fiscal year are budgeted at \$12,190,009, an increase of 6.4% over last year's final amended budget of \$11,454,786. The budget provides an increase for all positions, supplies for increased student enrollment and the purchase of two buses.

If these estimates are realized, the District's budgetary general fund balance is expected to increase \$50,599 to \$8.1 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, 2021

Data Control Codes		1	Governmental Activities
	ASSETS:		
1110	Cash and Cash Equivalents	\$	1,825,808
1120	Current Investments		7,834,854
1225	Property Taxes Receivable (Net)		117,959
1240	Due from Other Governments		1,007,766
1410	Unrealized Expenses		212,444
	Capital Assets:		
1510	Land		392,251
1520	Buildings and Improvements, Net		35,469,749
1530	Furniture and Equipment, Net		1,127,173
1000	Total Assets		<u>47,988,004</u>
	DEFERRED OUTFLOWS OF RESOURCES:		
	Deferred Outflow Related to Pensions		1,091,767
	Deferred Outflow Related to OPEB		1,497,333
1700	Total Deferred Outflows of Resources		<u>2,589,100</u>
	LIABILITIES:		
2110	Accounts Payable		104,251
2165	Accrued Liabilities		559,512
2180	Due to Other Governments		1,040,054
2300	Unearned Revenue		24,775
	Noncurrent Liabilities:		
2501	Due Within One Year		1,483,196
2502	Due in More Than One Year		31,614,326
2540	Net Pension Liability		2,542,455
2545	Net OPEB Liability		3,037,531
2000	Total Liabilities		<u>40,406,100</u>
	DEFERRED INFLOWS OF RESOURCES:		
	Deferred Inflow Related to Pensions		329,306
	Deferred Inflow Related to OPEB		2,224,251
2600	Total Deferred Inflows of Resources		<u>2,553,557</u>
	NET POSITION:		
3200	Net Investment in Capital Assets		5,845,812
	Restricted For:		
3820	State and Federal Programs		163,504
3850	Debt Service		653,876
3860	Capital Projects		136,027
3870	Campus Activities		120,857
3900	Unrestricted		697,371
3000	Total Net Position	\$	<u><u>7,617,447</u></u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
11	Instruction	\$ 6,817,656	\$ 69,665	\$ 779,206	\$ (5,968,785)
12	Instructional Resources and Media Services	222,070	2,042	40,648	(179,380)
13	Curriculum and Staff Development	38,143	419	2,697	(35,027)
21	Instructional Leadership	310,728	2,814	50,616	(257,298)
23	School Leadership	630,962	6,596	42,483	(581,883)
31	Guidance, Counseling, & Evaluation Services	289,935	3,089	19,893	(266,953)
33	Health Services	151,774	1,597	10,284	(139,893)
34	Student Transportation	429,216	3,992	25,709	(399,515)
35	Food Service	739,430	438,254	274,692	(26,484)
36	Cocurricular/Extracurricular Activities	842,901	76,719	54,452	(711,730)
41	General Administration	675,971	7,172	46,191	(622,608)
51	Facilities Maintenance and Operations	1,921,471	20,692	161,193	(1,739,586)
52	Security and Monitoring Services	124,886	1,178	20,572	(103,136)
53	Data Processing Services	283,842	3,049	19,640	(261,153)
72	Interest on Long-term Debt	909,436	--	--	(909,436)
73	Bond Issuance Costs and Fees	217,520	--	--	(217,520)
81	Capital Outlay	8,937	105	674	(8,158)
99	Other Intergovernmental Charges	103,126	--	--	(103,126)
TG	Total Governmental Activities	<u>14,718,004</u>	<u>637,383</u>	<u>1,548,950</u>	<u>(12,531,671)</u>
TP	Total Primary Government	<u>\$ 14,718,004</u>	<u>\$ 637,383</u>	<u>\$ 1,548,950</u>	<u>(12,531,671)</u>
General Revenues:					
MT	Property Taxes, Levied for General Purposes				6,235,396
DT	Property Taxes, Levied for Debt Service				2,337,645
IE	Investment Earnings				3,825
GC	Grants and Contributions Not Restricted to Specific Programs				4,692,542
MI	Miscellaneous				20,376
TR	Total General Revenues				<u>13,289,784</u>
CN	Change in Net Position				758,113
NB	Net Position - Beginning				6,859,334
NE	Net Position - Ending				<u>\$ 7,617,447</u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 Cash and Cash Equivalents	\$ 1,330,286	\$ 256,730	\$ 238,794	\$ 1,825,810
1120 Current Investments	7,221,096	551,109	62,649	7,834,854
1225 Taxes Receivable, Net	90,919	27,040	--	117,959
1240 Due from Other Governments	860,785	--	146,981	1,007,766
1260 Due from Other Funds	166,293	--	8,081	174,374
1410 Unrealized Expenditures	212,444	--	--	212,444
1000 Total Assets	<u>\$ 9,881,823</u>	<u>\$ 834,879</u>	<u>\$ 456,505</u>	<u>\$ 11,173,207</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ 104,251	\$ --	\$ --	\$ 104,251
2120 Short-Term Debt Payable	8,194	--	--	8,194
2150 Payroll Deductions & Withholdings	2,855	--	--	2,855
2160 Accrued Wages Payable	523,196	--	23,787	546,983
2170 Due to Other Funds	8,081	153,963	12,330	174,374
2180 Due to Other Governments	1,040,054	--	--	1,040,054
2200 Accrued Expenditures	1,480	--	--	1,480
2300 Unearned Revenue	24,775	--	--	24,775
2000 Total Liabilities	<u>1,712,886</u>	<u>153,963</u>	<u>36,117</u>	<u>1,902,966</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Revenue	90,920	27,040	--	117,960
2600 Total Deferred Inflows of Resources	<u>90,920</u>	<u>27,040</u>	<u>--</u>	<u>117,960</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	163,504	163,504
3480 Retirement of Long-Term Debt	--	653,876	--	653,876
3490 Other Restrictions of Fund Balance	--	--	120,857	120,857
Committed Fund Balances:				
3510 Construction	1,150,000	--	136,027	1,286,027
3600 Unassigned	6,928,017	--	--	6,928,017
3000 Total Fund Balances	<u>8,078,017</u>	<u>653,876</u>	<u>420,388</u>	<u>9,152,281</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 9,881,823</u>	<u>\$ 834,879</u>	<u>\$ 456,505</u>	<u>\$ 11,173,207</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, 2021

Total fund balances - governmental funds balance sheet	\$ 9,152,281
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.	36,989,173
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	117,959
Payables for bond principal which are not due in the current period are not reported in the funds.	(30,062,298)
Payables for notes which are not due in the current period are not reported in the funds.	(1,199,000)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(2,542,455)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(329,306)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,091,767
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(81,867)
Bond premiums are amortized in the SNA but not in the funds.	(1,754,357)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(3,037,531)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(2,224,251)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	1,497,333
Rounding difference	(1)
Net position of governmental activities - Statement of Net Position	\$ <u>7,617,447</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, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 6,338,204	\$ 2,338,144	\$ 511,914	\$ 9,188,262
5800 State Program Revenues	5,389,063	1,618	116,134	5,506,815
5900 Federal Program Revenues	97,384	--	589,906	687,290
5020 Total Revenues	<u>11,824,651</u>	<u>2,339,762</u>	<u>1,217,954</u>	<u>15,382,367</u>
EXPENDITURES:				
Current:				
0011 Instruction	5,616,829	--	330,526	5,947,355
0012 Instructional Resources and Media Services	168,172	--	27,500	195,672
0013 Curriculum and Staff Development	34,665	--	--	34,665
0021 Instructional Leadership	231,935	--	32,493	264,428
0023 School Leadership	544,201	--	--	544,201
0031 Guidance, Counseling, & Evaluation Services	255,425	--	--	255,425
0033 Health Services	131,803	--	--	131,803
0034 Student Transportation	434,377	--	--	434,377
0035 Food Service	866	--	654,350	655,216
0036 Cocurricular/Extracurricular Activities	697,877	--	36,423	734,300
0041 General Administration	592,784	--	--	592,784
0051 Facilities Maintenance and Operations	1,741,230	--	27,925	1,769,155
0052 Security and Monitoring Services	97,441	--	12,988	110,429
0053 Data Processing Services	251,681	--	--	251,681
0071 Principal on Long-term Debt	219,000	1,639,222	--	1,858,222
0072 Interest on Long-term Debt	33,349	939,122	--	972,471
0073 Bond Issuance Costs and Fees	350	217,170	--	217,520
0081 Capital Outlay	91,973	--	876,499	968,472
0099 Other Intergovernmental Charges	103,126	--	--	103,126
6030 Total Expenditures	<u>11,247,084</u>	<u>2,795,514</u>	<u>1,998,704</u>	<u>16,041,302</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>577,567</u>	<u>(455,752)</u>	<u>(780,750)</u>	<u>(658,935)</u>
Other Financing Sources and (Uses):				
7911 Capital-Related Debt Issued (Regular Bonds)	--	24,894,973	--	24,894,973
7916 Premium or Discount on Issuance of Bonds	--	3,225,390	--	3,225,390
8949 Other Uses	--	(27,731,265)	--	(27,731,265)
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>389,098</u>	<u>--</u>	<u>389,098</u>
1200 Net Change in Fund Balances	<u>577,567</u>	<u>(66,654)</u>	<u>(780,750)</u>	<u>(269,837)</u>
0100 Fund Balances - Beginning	7,500,450	720,530	1,201,138	9,422,118
3000 Fund Balances - Ending	<u>\$ 8,078,017</u>	<u>\$ 653,876</u>	<u>\$ 420,388</u>	<u>\$ 9,152,281</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, 2021

Net change in fund balances - total governmental funds	\$ (269,837)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,096,869
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,267,555)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	46,363
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	27,731,265
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,639,222
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	219,000
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(24,894,973)
Bond premiums are reported in the funds but not in the SOA.	(3,162,355)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(335,666)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(44,220)
Change in net position of governmental activities - Statement of Activities	\$ <u>758,113</u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2021

		Custodial Fund
Data Control Codes		Student Activity
ASSETS:		
1110	Cash and Cash Equivalents	\$ 92,280
1000	Total Assets	92,280
LIABILITIES:		
Current Liabilities:		
2000	Total Liabilities	--
NET POSITION:		
2190	Restricted for Other Purposes	92,280
3000	Total Net Position	\$ 92,280

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, 2021

	Custodial Funds
ADDITIONS:	
Investment Income	\$ --
Net (Decrease) in Fair Value of Investments	--
Employer Contributions	--
Plan Member Contributions	--
Contributions from Foundations, Gifts and Bequests	--
Student Group Fundraising Activities	153,362
Total Additions	<u>153,362</u>
DEDUCTIONS:	
Benefits	--
Refunds of Contributions	--
Supplies and Materials	166,905
Total Deductions	<u>166,905</u>
Change in Fiduciary Net Position	(13,543)
Net Position-Beginning of the Year	
Prior Period Adjustment	105,823
Net Position-End of the Year	<u>\$ 92,280</u>

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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 (assets equal liabilities). Custodial funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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	\$ 129,885	\$ 38,628	\$ 168,513
Allowance for Uncollectibles	(38,966)	(11,588)	(50,554)
Net Taxes	<u>\$ 90,919</u>	<u>\$ 27,040</u>	<u>\$ 117,959</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
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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. 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.

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g. Use of Estimates

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

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

j. Net Position Flow Assumption

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

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k. Fund Balance Flow Assumptions

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

4. Pensions

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

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

GASB Statement No. 84, Fiduciary Activities

This statement establishes standards of accounting and financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 90, Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement also establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

GASB Statement No. 92, Omnibus 2020

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Although the effective date for the majority of GASB Statement No. 92, Omnibus 2020 has been postponed by GASB Statement No. 95 for one year, the District has adopted paragraph 11 of Statement 92 with respect to reinsurance recoveries. Paragraph 11 states that "amounts that (a) are recoverable from reinsurers or excess insurers and (b) relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be. The District has also adopted paragraph 13 of Statement 92 in regards to changing all uses of the terms *derivative* and *derivatives* in existing standards to *derivative instrument* and *derivative instruments*, respectively. The provisions in paragraphs 11 and 13 were excluded from the scope of Statement 95 because paragraph 11 retains the reporting option, and thus only clarifies that an option exists, and paragraph 13 imposes no burden on the District. As such, this statement does not impact the District.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84*, and a Supersession of GASB Statement No. 32.

The District has adopted paragraphs 4 and 5 of GASB Statement No. 92. Paragraph 4 states that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), if the primary government performs the duties that a governing board typically would perform, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board. Paragraph 5 states that the financial burden criterion in paragraph 7 of Statement 84 is applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. The requirements in paragraphs 6 - 9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

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>	<u>Deficit Amount</u>	<u>Remarks</u>
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.

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1. Cash Deposits:

At August 31, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,918,090 and the bank balance was \$2,067,826. The District's cash deposits at August 31, 2021 and during the year ended August 31, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, 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>7,834,854</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.

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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.

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

D. Capital Assets

Capital asset activity for the year ended August 31, 2021, 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	18,696,119	--	18,696,119	--
Total capital assets not being depreciated	19,088,370	--	18,696,119	392,251
Capital assets being depreciated:				
Buildings and improvements	24,843,684	18,696,119	--	43,539,803
Equipment	883,843	45,495	--	929,338
Vehicles	1,396,990	98,560	107,765	1,387,785
Total capital assets being depreciated	27,124,517	18,840,174	107,765	45,856,926

LONDON INDEPENDENT SCHOOL DISTRICT

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Less accumulated depreciation for:				
Buildings and improvements	(6,958,928)	(1,111,126)	--	(8,070,054)
Equipment	(318,336)	(74,547)	--	(392,883)
Vehicles	(822,951)	(81,881)	(107,765)	(797,067)
Total accumulated depreciation	(8,100,215)	(1,267,554)	(107,765)	(9,260,004)
Total capital assets being depreciated, net	19,024,302	17,572,620	--	36,596,922
Governmental activities capital assets, net	\$ 38,112,672	\$ 17,572,620	\$ 18,696,119	\$ 36,989,173

Depreciation was charged to functions as follows:

Instruction	\$ 621,882
Instructional Resources and Media Services	20,232
Curriculum and Staff Development	3,478
Instructional Leadership	28,482
School Leadership	57,527
Guidance, Counseling, & Evaluation Services	26,437
Health Services	13,839
Student Transportation	81,881
Food Services	67,423
Extracurricular Activities	72,264
General Administration	61,637
Plant Maintenance and Operations	175,205
Security and Monitoring Services	11,387
Data Processing Services	25,881
	<u>\$ 1,267,555</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2021, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 12,330	Short-term loans
General Fund	Major fund (specify fund name)	153,963	Short-term loans
Other Governmental Funds	General Fund	8,081	Short-term loans
	Total	<u>\$ 174,374</u>	

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

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.

LONDON INDEPENDENT SCHOOL DISTRICT
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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, 2021, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
2014 Unlimited Tax					
School Building Bonds 4.0% \$	9,331,547 \$		\$ 8,854,222 \$	477,325 \$	123,196
2015 Unlimited Tax					
School Building Bonds 4.0%	4,635,000		2,445,000	2,190,000	270,000
2018 Unlimited Tax School					
Building and Refunding					
Bonds 4.0%-5.0%	17,735,000		14,600,000	3,135,000	615,000
2020 Unlimited Tax Refunding					
Bonds 2.411%		24,894,973	635,000	24,259,973	250,000
Total Bonds	31,701,547	24,894,973	26,534,222	30,062,298	1,258,196
Maintenance Tax Time					
Warrants 2015 2.5%	533,000		101,000	432,000	104,000
Limited Maintenance Tax					
Notes 2019 2.27%	885,000		118,000	767,000	121,000
Total Notes	1,418,000	--	219,000	1,199,000	225,000
Premium	1,510,134	307,258	63,035	1,754,357	
Accretion on Capital					
Appreciation Bonds	--	2,918,132		2,918,132	
Deferred Loss on Bond					
Refunding	--	(2,836,265)		(2,836,265)	
Total governmental activities	\$ 34,629,681	\$ 25,284,098	\$ 26,816,257	33,097,522	\$ 1,483,196
Due Within One Year				(1,483,196)	
Due in More Than One Year				\$ 31,614,326	
Net Pension Liability	\$ 2,478,440	\$ 64,015		\$ 2,542,455	
Net OPEB Liability	\$ 3,486,989		\$ 449,458	\$ 3,037,531	

* 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, 2021, are as follows:

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Governmental Activities

<u>Year Ending August 31,</u>	<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,258,196	\$ 879,544
2023	1,285,686	838,203
2024	1,326,169	792,570
2025	1,307,274	754,116
2026	1,360,000	642,740
2027-2031	3,224,973	6,121,075
2032-2036	6,290,000	2,195,709
2037-2041	6,625,000	1,510,852
2042-2046	7,385,000	607,095
2047-2051		
Totals	<u>\$ 30,062,298</u>	<u>\$ 14,341,904</u>

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 225,000	\$ 28,211	\$ 253,211
2023	231,000	22,864	253,864
2024	235,000	17,374	252,374
2025	241,000	11,789	252,789
2026	132,000	6,061	138,061
2027-2031	135,000	3,065	138,065
Totals	<u>\$ 1,199,000</u>	<u>\$ 89,364</u>	<u>\$ 1,288,364</u>

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refunding 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, 2020, 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	
2015 Unlimited Tax School Building Bonds	\$ 87,200

On June 1, 2018, the District issued Series 2018 Unlimited Tax School Building and Refunding Bonds, Series 2018 totaling \$18,955,000 with interest rates ranging from 4.00% to 5.00% to advance refund a portion of the Series 2008 Bonds that were stated to mature on or after August 15, 2019. The net proceeds of the Refunding Bonds of \$2,134,462 (after payment of \$32,070 in issuance costs) were used to purchase US. Government securities, which were deposited in an irrevocable trust with an escrow agent to the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows: provide for future debt service payments on the refunded bonds, and to pay additional issuance costs and fees totaling \$32,070. As a result, \$2,140,000 of Series 2008 bonds are considered to be defeased and the liability for those bonds has been removed from long-term debt. The District advance refunded the Series 2008 bonds to reduce its total debt service payments over the next 20 to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$107,086.

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On November 1, 2020, the District issued Series 2020 Unlimited Tax Refunding Bonds, Series 2020 totaling \$24,894,973 interest rates ranging from 1.980% to 2.70 to advance refund a portion of the Series 2014, Series 2015 and Series 2018 Bonds that were stated to mature on or after August 15, 2021. The net proceeds of the Refunding Bonds of \$27,734,126 (after payment of \$386,236 in issuance costs) were used to purchase US. Government securities, which were deposited in an irrevocable trust with an escrow agent to the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows: provide for future debt service payments on the refunded bonds, and to pay additional issuance costs and fees totaling \$386,236. As a result, \$8,725,000 of Series 2014, \$2,180,000 of Series 2015 and \$13,990,000 of series 2018 bonds are considered to be defeased and the liability for those bonds has been removed from long-term debt. The District advance refunded the bonds to reduce its total debt service payments over the next 25 to obtain an interest savings of \$6,224,283 and a net PV savings of \$4,558,461.

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 2021, 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/TRS%20Documents/cafr_2020.pdf, selecting About TRS or 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.

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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 are determined by the System's actuary.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for the gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

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>	
	2020	2021
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
District's 2021 Employer Contributions	\$ 199,621	
District's 2021 Member Contributions	\$ 532,513	
2020 NECE On-Behalf Contributions (state)	\$ 386,883	

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

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

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

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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 1.5 percent of the member's salary beginning in fiscal year 2020, 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.

5. Actuarial Assumptions

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

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.33%
Last year ending August 31 in Projection Period	2119
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions, please see the actuarial valuation report dated November 14, 2019.

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, 2020 are summarized below:

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

Asset Class	Target Allocation *	Long-Term Expected Arithmetic Real Rate of Return **	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
Government Bonds	16.00%	(0.70)%	(0.05)%
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.01%
Energy, Natural Resources & Infrastructure	6.00%	6.00%	0.42%
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Leverage			
Cash	2.00%	1.50%	(0.03)%
Asset Allocation Leverage	(6.00%)	1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag ***			(0.67)%
Total	100.0%		7.33%

* Target allocations are based on the FY2020 policy model.
** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020)
*** 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 1 percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) 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:	\$ 3,920,419	\$ 2,542,455	\$ 1,422,888

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

At August 31, 2021, the District reported a liability of \$2,542,455 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	\$ 2,542,455
State's proportionate share that is associated with District	5,021,950
Total	\$ 7,564,405

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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, 2019 through August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0047471087 percent which was an increase (decrease) of 0.0000206700 percent from its proportion measured as of August 31, 2019.

9. Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2021, the District recognized pension expense of \$604,029 and revenue of \$604,029 for support provided by the State.

At August 31, 2021, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,642	\$ 70,953
Changes in actuarial assumptions	589,940	250,838
Difference between projected and actual investment earnings	51,470	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	246,094	7,515
Contributions paid to TRS subsequent to the measurement date	199,621	--
Total	\$ 1,091,767	\$ 329,306

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

Year ended August 31,	Pension Expense Amount
2022	\$ 172,272
2023	\$ 180,019
2024	\$ 165,459
2025	\$ 65,876
2026	\$ (19,784)
Thereafter	\$ (1,001)

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.

LONDON INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2021

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/TRS%20Documents/cafr_2020.pdf, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

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

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.

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FOR THE YEAR ENDED AUGUST 31, 2021

Contribution Rates	
	Rate
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/Private Funding *	1.25%
Total	
* Contributions paid from federal funds and private grants are remitted by the employer and paid at the State rate.	

District's 2021 Employer Contributions	\$ 71,462
District's 2021 Member Contributions	\$ 44,957
2020 NECE On-Behalf Contributions (state)	\$ 81,609

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 \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

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. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. 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, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

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

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	4.50% to 4.25%
Election Rates	Normal Retirement: 65% participation prior to age 65 and 45% participation after age 65.
Ad Hoc Post-Employment Benefit Changes	None

6. Discount Rate

A single discount rate of 2.33 percent was used to measure the total OPEB liability. This was a decrease of .30 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, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

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 (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of net OPEB liability	\$ 3,645,030	\$ 3,037,531	\$ 2,557,694

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

At August 31, 2021, the District reported a liability of \$249,196 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:

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

District's proportionate share of the collective net OPEB liability	\$ 3,037,531
State's proportionate share that is associated with the District	\$ <u>4,081,713</u>
 Total	 \$ <u><u>7,119,244</u></u>

The Net OPEB liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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, 2019 thru August 31, 2020.

At August 31, 2021 the District's proportion of the collective net OPEB liability was 0.0079904496, which was an increase of .00006170115% from its proportion measured as of August 31, 2019

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	\$ 2,481,273	\$ 3,037,531	\$ 3,778,387

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 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability
- The ultimate health care trend assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered 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 \$(28,342).

At August 31, 2021, 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:

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 159,044	\$ 1,390,129
Changes in actuarial assumptions	187,352	834,122
Differences between projected and actual investment earnings	1,049	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	1,078,488	
Contributions paid to TRS subsequent to the measurement date	71,462	
Total	<u>\$ 1,497,395</u>	<u>\$ 2,224,251</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
2022	\$ (162,185)
2023	\$ (162,317)
2024	\$ (162,393)
2025	\$ (162,374)
2026	\$ (81,239)
Thereafter	\$ (67,870)

For the year ended August 31, 2021, the District recognized OPEB expense of \$(28,342) and revenue of \$(28,342) 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, 2021, the subsidy payment received by TRS-Care on behalf of the District was \$30,913.

J. Employee Health Care Coverage

During the year ended August 31, 2021, employees of the District were covered by a health insurance plan (the Plan). The District contributed \$255 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a third party administrator, acting on behalf of the self-funded pool. 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 contribution costs are included in the contractual provisions.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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.

In November of 2019, the United States learned of the virus known as COVID-19. Over the last several months, it has changed the dynamics of the economy including the New York Stock Exchange, which has remained volatile.

The District and its Board of Trustees have no control over these global and national events, except to try to guide the District through these condition they present. These conditions may include, but may not be limited to:

1. Unstable economic environment
2. Potentially violent fluctuations in the stock market
3. Potential shortages of basic goods and services
4. Managing any loss of revenue and unexpected expenditures that may occur

As of the audit date, the District has had no material effect on the financial statements as a result of these conditions.

L. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through November 18, 2021 (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. Management and those charged with governance have determined that there is one non-recognized Type II subsequent event that requires additional disclosure:

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, 2021

EXHIBIT G-1

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Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 6,505,700	\$ 6,358,000	\$ 6,338,204	\$ (19,796)
5800	State Program Revenues	5,122,586	5,572,465	5,389,063	(183,402)
5900	Federal Program Revenues	1,000	42,000	97,384	55,384
5020	Total Revenues	11,629,286	11,972,465	11,824,651	(147,814)
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	5,734,576	5,684,576	5,616,829	67,747
0012	Instructional Resources and Media Services	282,480	182,480	168,172	14,308
0013	Curriculum and Staff Development	27,700	39,346	34,665	4,681
	Total Instruction & Instr. Related Services	6,044,756	5,906,402	5,819,666	86,736
	Instructional and School Leadership:				
0021	Instructional Leadership	295,837	246,191	231,935	14,256
0023	School Leadership	560,299	555,299	544,201	11,098
	Total Instructional & School Leadership	856,136	801,490	776,136	25,354
	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	290,045	260,045	255,425	4,620
0033	Health Services	154,931	134,931	131,803	3,128
0034	Student (Pupil) Transportation	475,296	455,296	434,377	20,919
0035	Food Services	--	1,000	866	134
0036	Cocurricular/Extracurricular Activities	721,562	711,562	697,877	13,685
	Total Support Services - Student (Pupil)	1,641,834	1,562,834	1,520,348	42,486
	Administrative Support Services:				
0041	General Administration	541,076	593,076	592,784	292
	Total Administrative Support Services	541,076	593,076	592,784	292
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	1,737,196	1,787,196	1,741,230	45,966
0052	Security and Monitoring Services	90,224	97,724	97,441	283
0053	Data Processing Services	125,064	255,064	251,681	3,383
	Total Support Services - Nonstudent Based	1,952,484	2,139,984	2,090,352	49,632
	Debt Service:				
0071	Principal on Long-Term Debt	263,000	218,000	219,000	(1,000)
0072	Interest on Long-Term Debt	--	33,000	33,349	(349)
0073	Bond Issuance Costs and Fees	--	2,000	350	1,650
	Total Debt Service	263,000	253,000	252,699	301
	Capital Outlay:				
0081	Capital Outlay	20,000	93,000	91,973	1,027
	Total Capital Outlay	20,000	93,000	91,973	1,027
0099	Other Intergovernmental Charges	120,000	105,000	103,126	1,874
	Total Intergovernmental Charges	120,000	105,000	103,126	1,874
6030	Total Expenditures	11,439,286	11,454,786	11,247,084	207,702
1100	Excess (Deficiency) of Revenues Over (Under)				

LONDON INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
1100	Expenditures	<u>190,000</u>	<u>517,679</u>	<u>577,567</u>	<u>59,888</u>
	Other Financing Sources (Uses):				
8911	Transfers Out	<u>(190,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>
7080	Total Other Financing Sources and (Uses)	<u>(190,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>
1200	Net Change in Fund Balance	<u>--</u>	<u>517,679</u>	<u>577,567</u>	<u>59,888</u>
0100	Fund Balance - Beginning	<u>7,500,450</u>	<u>7,500,450</u>	<u>7,500,450</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 7,500,450</u>	<u>\$ 8,018,129</u>	<u>\$ 8,078,017</u>	<u>\$ 59,888</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 *

EXHIBIT G-2

	Fiscal Year						
	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0047471080%	0.00476777787%	0.0044749576%	0.0042165835%	0.0039598355%	0.0040661000%	0.0020426000%
District's proportionate share of the net pension liability (asset)	\$ 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	5,021,950	4,401,920	4,510,098	2,761,108	3,090,513	2,671,442	2,343,238
Total	<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	\$ 6,331,119 \$	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	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	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 *

EXHIBIT G-3

	Fiscal Year					
	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 199,621	\$ 257,414	\$ 157,975	\$ 150,486	\$ 145,832	\$ 125,814
Contributions in relation to the contractually required contribution	(199,621)	(257,414)	(157,975)	(150,486)	(145,832)	(125,814)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 6,919,499	\$ 6,331,119	\$ 5,631,959	\$ 5,291,181	\$ 5,184,244	\$ 4,617,337
Contributions as a percentage of covered-employee payroll	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 *

EXHIBIT G-4

	Measurement Year Ended			
	2020	2019	2018	2017
District's proportion of the collective net OPEB liability	0.0079904496%	0.0073734381%	0.0061911376%	0.0058007184%
District's proportionate share of the collective net OPEB liability	\$ 3,037,531	\$ 3,486,989	\$ 3,091,292	\$ 2,522,515
State proportionate share of the collective net OPEB liability associated with the District	4,081,713	4,633,429	4,577,097	4,175,922
Total	<u>\$ 7,119,244</u>	<u>\$ 8,120,418</u>	<u>\$ 7,668,389</u>	<u>\$ 6,698,437</u>
District's covered-employee payroll	\$ 6,331,119	\$ 5,635,805	\$ 5,291,183	\$ 5,184,244
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	47.98%	61.87%	58.42%	48.66%
Plan fiduciary net position as a percentage of the total OPEB liability	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			
	2021	2020	2019	2018
Statutorily or contractually required District contribution	\$ 71,462	\$ 68,496	\$ 54,259	\$ 42,279
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(71,462)	(68,496)	(54,259)	(42,279)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 6,919,499	\$ 6,331,119	\$ 5,631,959	\$ 5,291,183
Contributions as a percentage of covered-employee payroll	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, 2021

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, 2021

Data Control Codes		Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:				
1110	Cash and Cash Equivalents	\$ 120,857	\$ 117,937	\$ 238,794
1120	Current Investments	44,559	18,090	62,649
1240	Due from Other Governments	146,981	--	146,981
1260	Due from Other Funds	8,081	--	8,081
1000	Total Assets	<u>\$ 320,478</u>	<u>\$ 136,027</u>	<u>\$ 456,505</u>
LIABILITIES:				
Current Liabilities:				
2160	Accrued Wages Payable	\$ 23,787	\$ --	\$ 23,787
2170	Due to Other Funds	12,330	--	12,330
2000	Total Liabilities	<u>36,117</u>	<u>--</u>	<u>36,117</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	163,504	--	163,504
3490	Other Restrictions of Fund Balance	120,857	--	120,857
Committed Fund Balances:				
3510	Construction	--	136,027	136,027
3000	Total Fund Balances	<u>284,361</u>	<u>136,027</u>	<u>420,388</u>
4000	Total Liabilities and Fund Balances	<u>\$ 320,478</u>	<u>\$ 136,027</u>	<u>\$ 456,505</u>

LONDON INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 Local and Intermediate Sources	\$ 511,832	\$ 82	\$ 511,914
5800 State Program Revenues	116,134	--	116,134
5900 Federal Program Revenues	589,906	--	589,906
5020 Total Revenues	<u>1,217,872</u>	<u>82</u>	<u>1,217,954</u>
EXPENDITURES:			
Current:			
0011 Instruction	330,526	--	330,526
0012 Instructional Resources and Media Services	27,500	--	27,500
0021 Instructional Leadership	32,493	--	32,493
0035 Food Service	654,350	--	654,350
0036 Cocurricular/Extracurricular Activities	36,423	--	36,423
0051 Facilities Maintenance and Operations	27,925	--	27,925
0052 Security and Monitoring Services	12,988	--	12,988
0081 Capital Outlay	--	876,499	876,499
6030 Total Expenditures	<u>1,122,205</u>	<u>876,499</u>	<u>1,998,704</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	95,667	(876,417)	(780,750)
1200 Net Change in Fund Balances	<u>95,667</u>	<u>(876,417)</u>	<u>(780,750)</u>
0100 Fund Balances - Beginning	188,694	1,012,444	1,201,138
3000 Fund Balances - Ending	<u>\$ 284,361</u>	<u>\$ 136,027</u>	<u>\$ 420,388</u>

LONDON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2021

Data Control Codes		211 ESEA Title I Improving Basic Programs	224 IDEA-Part B Formula
ASSETS:			
1110	Cash and Cash Equivalents	\$ --	\$ --
1120	Current Investments	--	--
1240	Due from Other Governments	315	4,631
1260	Due from Other Funds	--	--
1000	Total Assets	<u>\$ 315</u>	<u>\$ 4,631</u>
LIABILITIES:			
Current Liabilities:			
2160	Accrued Wages Payable	\$ --	\$ --
2170	Due to Other Funds	315	4,631
2000	Total Liabilities	<u>315</u>	<u>4,631</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450	Federal/State Funds Grant Restrictions	--	--
3490	Other Restrictions of Fund Balance	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 315</u>	<u>\$ 4,631</u>

EXHIBIT H-3

240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ --	\$ --	\$ 120,857	\$ 120,857
44,559	--	--	44,559
134,651	7,384	--	146,981
8,081	--	--	8,081
<u>\$ 187,291</u>	<u>\$ 7,384</u>	<u>\$ 120,857</u>	<u>\$ 320,478</u>
\$ 23,787	\$ --	\$ --	\$ 23,787
--	7,384	--	12,330
<u>23,787</u>	<u>7,384</u>	<u>--</u>	<u>36,117</u>
163,504	--	--	163,504
--	--	120,857	120,857
<u>163,504</u>	<u>--</u>	<u>120,857</u>	<u>284,361</u>
<u>\$ 187,291</u>	<u>\$ 7,384</u>	<u>\$ 120,857</u>	<u>\$ 320,478</u>

LONDON INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-Part B Formula	225 IDEA-Part B Preschool Grant	240 National School Breakfast/Lunch Program
REVENUES:				
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ 438,241
5800 State Program Revenues	--	--	--	2,078
5900 Federal Program Revenues	43,558	155,973	1,765	272,530
5020 Total Revenues	<u>43,558</u>	<u>155,973</u>	<u>1,765</u>	<u>712,849</u>
EXPENDITURES:				
Current:				
0011 Instruction	43,558	155,973	1,765	--
0012 Instructional Resources and Media Services	--	--	--	--
0021 Instructional Leadership	--	--	--	--
0035 Food Service	--	--	--	654,350
0036 Cocurricular/Extracurricular Activities	--	--	--	--
0051 Facilities Maintenance and Operations	--	--	--	--
0052 Security and Monitoring Services	--	--	--	--
6030 Total Expenditures	<u>43,558</u>	<u>155,973</u>	<u>1,765</u>	<u>654,350</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	--	--	58,499
1200 Net Change in Fund Balances	--	--	--	58,499
0100 Fund Balances - Beginning	--	--	--	105,005
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 163,504</u>

255 ESEA Title II Training & Recruiting	266 Coronavirus Aid Relief, and Eco. Security Act	289 Other Federally Funded	331 Career and Tech Basic Grant (SSA)	397 Advanced Placement Incentives
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	72
32,493	44,750	34,511	4,326	--
32,493	44,750	34,511	4,326	72
--	10,848	--	4,326	72
--	27,500	--	--	--
32,493	--	--	--	--
--	--	--	--	--
--	6,402	21,523	--	--
--	--	12,988	--	--
32,493	44,750	34,511	4,326	72
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --

LONDON INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
REVENUES:			
5700 Local and Intermediate Sources	\$ --	\$ 73,591	\$ 511,832
5800 State Program Revenues	113,984	--	116,134
5900 Federal Program Revenues	--	--	589,906
5020 Total Revenues	<u>113,984</u>	<u>73,591</u>	<u>1,217,872</u>
EXPENDITURES:			
Current:			
0011 Instruction	113,984	--	330,526
0012 Instructional Resources and Media Services	--	--	27,500
0021 Instructional Leadership	--	--	32,493
0035 Food Service	--	--	654,350
0036 Cocurricular/Extracurricular Activities	--	36,423	36,423
0051 Facilities Maintenance and Operations	--	--	27,925
0052 Security and Monitoring Services	--	--	12,988
6030 Total Expenditures	<u>113,984</u>	<u>36,423</u>	<u>1,122,205</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	37,168	95,667
1200 Net Change in Fund Balances	--	37,168	95,667
0100 Fund Balances - Beginning	--	83,689	188,694
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 120,857</u>	<u>\$ 284,361</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, 2021

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2012 and Prior Years	\$	Various	\$	Various	\$	Various
2013		.92		.3178		280,300,602
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 (School Year Under Audit)		.9564		.3612		665,049,543
1000 Totals						
9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code						

EXHIBIT J-1

10 Beginning Balance 9/1/20	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/21
\$ 11,736	\$ --	\$ --	\$ --	\$ --	\$ 11,736
5,973	--	--	--	--	5,973
19,959	--	--	--	--	19,959
12,430	--	--	--	--	12,430
5,815	--	(27)	(11)	(45)	5,808
4,661	--	288	114	--	4,259
4,569	--	4,899	1,457	6,356	4,569
11,410	--	4,499	1,840	4,758	9,830
51,750	--	26,859	10,842	4,515	18,564
--	8,690,146	6,221,420	2,349,620	(43,720)	75,385
<u>\$ 128,303</u>	<u>\$ 8,690,146</u>	<u>\$ 6,257,937</u>	<u>\$ 2,363,862</u>	<u>\$ (28,136)</u>	<u>\$ 168,513</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

LONDON INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT J-2

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 405,000	\$ 438,241	\$ 33,241
5800 State Program Revenues	2,070	2,078	8
5900 Federal Program Revenues	270,300	272,530	2,230
5020 Total Revenues	<u>677,370</u>	<u>712,849</u>	<u>35,479</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 Food Services	<u>668,600</u>	<u>654,350</u>	<u>14,250</u>
Total Support Services - Student (Pupil)	<u>668,600</u>	<u>654,350</u>	<u>14,250</u>
6030 Total Expenditures	<u>668,600</u>	<u>654,350</u>	<u>14,250</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>8,770</u>	<u>58,499</u>	<u>49,729</u>
1200 Net Change in Fund Balance	<u>8,770</u>	<u>58,499</u>	<u>49,729</u>
0100 Fund Balance - Beginning	105,005	105,005	--
3000 Fund Balance - Ending	<u>\$ 113,775</u>	<u>\$ 163,504</u>	<u>\$ 49,729</u>

LONDON INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 2,338,500	\$ 2,338,144	\$ (356)
5800 State Program Revenues	1,620	1,618	(2)
5020 Total Revenues	<u>2,340,120</u>	<u>2,339,762</u>	<u>(358)</u>
EXPENDITURES:			
Debt Service:			
0071 Principal on Long-Term Debt	1,639,222	1,639,222	--
0072 Interest on Long-Term Debt	939,128	939,122	6
0073 Bond Issuance Costs and Fees	217,200	217,170	30
Total Debt Service	<u>2,795,550</u>	<u>2,795,514</u>	<u>36</u>
6030 Total Expenditures	<u>2,795,550</u>	<u>2,795,514</u>	<u>36</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(455,430)</u>	<u>(455,752)</u>	<u>(322)</u>
Other Financing Sources (Uses):			
7911 Capital-Related Debt Issued (Regular Bonds)	28,120,400	24,894,973	(3,225,427)
7916 Premium or Discount on Issuance of Bonds	--	3,225,390	3,225,390
8949 Other Uses	(27,731,300)	(27,731,265)	35
7080 Total Other Financing Sources and (Uses)	<u>389,100</u>	<u>389,098</u>	<u>(2)</u>
1200 Net Change in Fund Balance	<u>(66,330)</u>	<u>(66,654)</u>	<u>(324)</u>
0100 Fund Balance - Beginning	720,530	720,530	--
3000 Fund Balance - Ending	<u>\$ 654,200</u>	<u>\$ 653,876</u>	<u>\$ (324)</u>



5934 S. Staples St. Ste. 201
Corpus Christi, TX 78413
Telephone: (361) 993-1000
Fax: (361) 991-2880

GOWLAND, STREALLY, MORALES & COMPANY, PLLC

Certified Public Accountants

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, 2021, 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 November 18, 2021.

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.

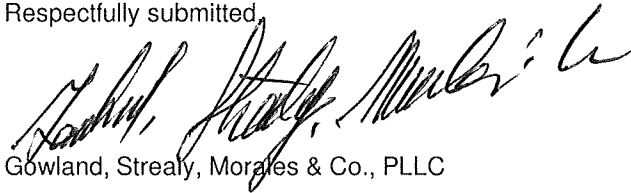
Compliance and Other Matters

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,

A handwritten signature in black ink, appearing to read "David Streaty", is written over the printed name.

Gowland, Streaty, Morales & Co., PLLC

Corpus Christi, Texas
November 18, 2021

LONDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021

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

B. Financial Statement Findings

NONE

LONDON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2021

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
-------------------------------	-----------------------	--

NONE REQUIRED - N/A

LONDON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2021

NONE REQUIRED - N/A

LONDON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS AS OF AUGUST 31, 2021

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 warranty 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	\$ 2,918,132