

**LONDON
INDEPENDENT
SCHOOL DISTRICT**

Annual Financial Report

For the Year Ended August 31, 2020



GOWLAND, STREATLY, MORALES & COMPANY, PLLC

Certified Public Accountants

London Independent School District
Annual Financial Report
For The Year Ended August 31, 2020

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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, 2020, 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



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Fax: (361) 991-2880

GOWLAND, STREALLY, 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 Financial Statements

We have audited the accompanying 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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.

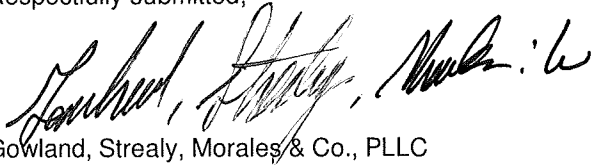
The combining and individual nonmajor fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected 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 January 21, 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering London Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gowland, Streaty, Morales & Co.", is written over the printed name of the firm.

Gowland, Streaty, Morales & Co., PLLC

Corpus Christi, Texas
January 21, 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, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

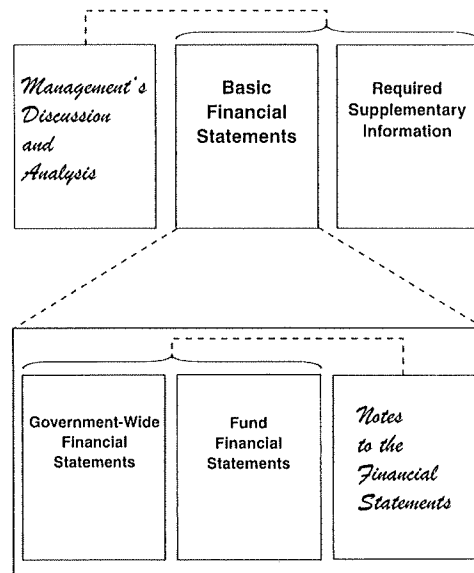
- The District's total combined net position was \$6,859,335 at August 31, 2020.
- During the year, the District's expenses were \$269,002 lower than the \$14,611,639 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$1,320,294 higher than last year.
- The general fund reported a fund balance this year of \$7,500,449 a decrease of \$846,071.

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.

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

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.

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 cash flows	* Statement of changes in fiduciary net assets
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

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.

- *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 6,6,859,335, August 31, 2020. (See Table A-1).

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

	Governmental Activities		Total Change
	2020	2019	2020-2019
Current and Other Assets	\$ 10,678,578	\$ 18,447,043	\$ (7,768,465)
Capital and Non-Current	37,159,859	31,342,742	5,817,117
Total Assets	<u>47,838,437</u>	<u>49,789,785</u>	<u>(1,951,348)</u>
Deferred Outflows of Resources	<u>2,713,234</u>	<u>1,938,477</u>	<u>774,757</u>
Current Liabilities	1,184,864	2,563,080	(1,378,216)
Noncurrent Liabilities	40,595,110	41,462,338	(867,228)
Total Liabilities	<u>41,779,974</u>	<u>44,025,418</u>	<u>(2,245,444)</u>
Deferred Inflows Related to Pensions	<u>1,912,362</u>	<u>1,112,511</u>	<u>799,851</u>
Net Assets Invested in			
Capital Assets net of			
Related Debt	4,633,621	5,348,131	(714,510)
Restricted	1,921,668	948,683	972,985
Unrestricted	304,046	293,519	10,527
Total Net Position	<u>\$ 6,859,335</u>	<u>\$ 6,590,333</u>	<u>\$ 269,002</u>

Net position Invested in Capital Assets net of related Debt reflects the book value of the District's capital assets at \$4,633,621 less related debt. The District's restricted net position includes state and federal programs, debt service, and campus activities. The \$304,046 of unrestricted net assets represents resources available for investments, capital projects and programs.

Changes in net position. The District's total revenues were \$14,611,639. Of that, 61 percent of the District's revenue comes from taxes, 30 percent comes from state aid not restricted to specific programs, and 5 percent comes from operating grants, while only 3 percent relates to charges for services.

The total cost of all programs and services was \$14,199,855; 62 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 increased from \$1.3035/100 to \$13475/100, which includes \$.3875/100 for debt service on bonds, and \$.96/100 maintenance and operations.
- Certified property values totaled \$675,033,134, a 5.36% decrease from the prior year value of \$713,333,797, the net result of continued increase in residential growth, but also due to annual decline in windfarm value. An approximate 10% per year decline in the appraised value of windfarm is expected over the next 9 years.

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

	Governmental Activities		Total Change
	2020	2019	2020-2019
Program Revenues:			
Charges for Services	\$ 470,007	\$ 707,050	\$ (237,043)
Operating Grants and Contributions	695,162	940,096	(244,934)
General Revenues:			-
Property Taxes	8,902,073	9,084,442	(182,369)
State Aid – Formula	4,340,098	5,346,863	(1,006,765)
Investment Earnings	167,441	538,876	(371,435)
Other	36,858	29,678	7,180
Total Revenues	<u>14,611,639</u>	<u>16,647,005</u>	<u>(2,035,366)</u>
Instruction	6,263,938	5,522,845	741,093
Instructional Resources and Media Services	268,454	171,050	97,404
Curriculum Dev. And Instructional Staff Dev.	19,395	12,902	6,493
Instructional Leadership	248,894	208,374	40,520
School Leadership	# 730,298	551,323	178,975
Guidance, Counseling and Evaluation Services	291,803	275,469	16,334
Health Services	145,213	120,936	24,277
Student (Pupil) Transportation	482,618	327,002	155,616
Food Services	594,172	648,505	(54,333)
Curricular/Extracurricular	768,633	908,546	(139,913)
General Administration	553,313	507,204	46,109
Plant Maintenance & Oper.	1,621,556	1,704,406	(82,850)
Security and Monitoring Services	123,124	158,935	(35,811)
Data Processing Services	119,544	96,920	22,624
Community Services	-	-	-
Bond Issuance Costs and Fees	4,800	33,500	(28,700)
Interest on Long-term Debt	1,404,222	1,401,019	3,203
Capital Outlay	453,660	133,533	320,127
Other Intergovernmental Charges	106,218	97,092	9,126
Total Expenses	<u>14,199,855</u>	<u>12,879,561</u>	<u>1,320,294</u>
Change in Net Position	411,784	3,767,444	(3,355,660)
Net Position Beginning	6,590,333	2,822,889	3,767,444
Special Items	(142,782)		(142,782)
Net Position Ending	<u>\$ 6,859,335</u>	<u>\$ 6,590,333</u>	<u>\$ 269,002</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 \$14,199,855.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$8,902,073.
- Some of the cost was paid by those who directly benefited from the programs \$470,007, or
- By grants and contributions \$695,162.

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

	Total Cost of Services		% Change	Net cost of Services		% Change
	2020	2019		2020	2019	
Instruction	\$ 6,263,938	\$ 5,522,845	13.42%	\$ 5,855,835	\$ 4,885,541	19.86%
Plant Maintenance & Operations	1,621,556	1,704,406	-4.86%	1,530,232	1,581,388	-3.23%
General Administration	553,313	507,204	9.09%	525,160	477,959	9.88%
Student(Pupil) Transportation	482,618	327,002	47.59%	460,108	310,622	48.12%
Food Service	594,172	648,505	-8.38%	201,845	41,955	381.10%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

All revenues from governmental fund types totaled \$14,611,639, a decrease of 15% from the preceding year. Local revenues decreased as a result of decrease in local property tax values, mainly due to wind farm value decline. Local revenue decline also results from reduced interest earned, lower food service revenue and gate receipts as a result of reduced activities due to COVID19 pandemic school closure in the second semester. State funds have increased due to an increase in student enrollment for the current year, and accrual for the first part of the new school year. The district is classified as a Chapter 41 district, but is not subject to recapture of excess revenue, due to 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 seven times. Actual expenditures were \$742,660 below final budget amounts, primarily the result of lower than budgeted expenditure for major facilities repairs, support salaries, reduced expenditures in student transportation and extra-curricular activities and cost of substitutes and basic instructional supplies due to COVID19 school closure and also some savings in supplies expenditures in various line items district-wide. Contracted custodial, property insurance and utilities were also under budget due to a delay in completion and occupancy for new facilities constructed.

Total revenues were \$184,921 above the final budgeted amount as a result of higher than budgeted state aid, due to formula increases from HB3 legislation and due to accrual for next year state revenue at the beginning of the school year because of increasing student enrollment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019-20, the District had invested \$45,260,073 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
	2020	2019	2020-2019
Land	\$ 392,252	\$ 392,252	\$ -
Buildings and Improvements	24,767,368	24,634,225	133,143
Vehicles	1,396,990	1,067,103	329,887
Furniture and Equipment	883,843	432,129	451,714
Construction in Progress	17,819,620	11,950,732	5,868,888
Totals at historical cost	<u>45,260,073</u>	<u>38,476,441</u>	<u>6,783,632</u>
			-
Total accumulated depreciation	<u>8,100,214</u>	<u>7,133,699</u>	<u>966,515</u>
Net capital assets	<u>\$ 37,159,859</u>	<u>\$ 31,342,742</u>	<u>\$ 5,817,117</u>

Long Term Debt

The District has \$31,701,547 in bonds payable, issued 2014, 2015 and 2018 for the construction of Phase 1, Phase 2 and Phase 3 of a new middle school/high school building, including gymnasium, cafeteria, kitchen, library, science/computer labs, classrooms and school offices, as well as Phase 1 of a new elementary school and a new High School competition gym/band hall addition. In 2015 and 2020 the District issued Maintenance Tax Notes for building renovations, buses, septic system expansion, ball field improvements and kitchen/band hall/gym equipment, which have an outstanding balance of \$1,510,134. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

	Governmental Activities		Total Percentage Change
	2020	2019	2020-2019
Bonds payable	\$ 31,701,547	\$ 32,702,752	-3.1%
Maintenance Tax Notes	1,418,000	1,632,000	-13.1%
Premium	1,510,134	1,573,169	-4.0%
Total bonds & notes payable	<u>\$ 34,629,681</u>	<u>\$ 35,907,921</u>	-3.6%

Net Pension Liability

The District implemented GASB Statement No. 68 during the year ended August 31, 2015. A prior period adjustment of \$618,176 was required to record the beginning balance of the pension liability for the year ended August 31, 2014. 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 spending per student is expected to decrease by 11.2% in the 2020-21 budget from \$10,496 in 19-20 to \$9,318, mainly due to reduced spending in the coming year for facilities renovations and construction in the general fund. The District's 2020-21 refined average daily attendance is expected to increase by 7.85% from 1,146 to 1,236.
- Total tax rate for 2020-21 will decrease by about 2 cents to \$1.3176/100. M&O tax rate will decrease by about 0.5 cents to \$.9564/100.. The I&S rate will decrease about 1.7 cents to \$.3612/100 to pay outstanding bonds.
- Earnings on investments have dropped significantly due to large interest rate decreases in the market. Investment pool rates are expected to remain below 20-30 basis points for most of the next year.
- Property insurance rates are remaining fairly steady for now. Catastrophic hurricane losses have occurred in Texas and the US in 2017 and 2020, and we will most likely experience a premium increase in the next year.
- Utilities costs should remain fairly steady, due to a multi-year electricity contract.
- Teacher salaries increase due to an increase to the teacher salary scale and new teaching positions added at all levels. Auxiliary salaries also increase due to the addition of new support and administrative staff and a salary increase for all auxiliary staff. Three to four new positions are planned to add in July 2021 to handle increased elementary and middle school level enrollment.
- A bond election failed in November 2020, and is planned to be presented to voters again in November 2021.
- The District expects continued steady in-district enrollment growth in future years due to construction that has begun on at least four large residential housing developments.
- The windfarm that now lies within the school district boundaries was added to the tax rolls for 2018. It increased the taxable value of district property at that time by about \$300 million for 2018-19 fiscal year. That represented a very large increase of approximately 80%, which provided substantial increased tax revenues for 2018-19. The assessed tax value of the windfarm is subject to decline about 10% per year. That will create some uncertainty from year to year for local tax values, however it is not expected to be extremely volatile, but steadily decrease each year. A projected steady upswing in residential housing development, and some business growth, will definitely offset the windfarm value losses, and should result in overall value increases in future years, as the district is poised for significant property value growth.

These indicators were taken into account when adopting the general fund budget for 2020-21. Revenues available for appropriation in the general fund budget are \$11,629,286, an increase of 8.1% over the final 2019-20 revenue budget of \$10,755,230. The M&O tax rate decreases and property tax revenue will decrease slightly for 20-21, due to windfarm value decrease. State revenue will increase due to continued steady increase 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 of any funds for 2020-21, with data that we have at this time. That could change later in 20-21 and/or in subsequent years due to property value increases, and depending on enrollment growth rates and changes in the law.

General Fund expenditures for the 2020-21 fiscal year are budgeted at \$11,517,286, a decrease of 4.3% from last year's final amended expenditure budget of \$12,028,792. The budget provides an increase to the teacher pay scale, an increase to all auxiliary salaries, new administrative staff positions, increases in supplies for increased student enrollment and to mitigate COVID19 exposure, and a decrease in budgeted expenses for major repairs and facility construction and improvements.

If these estimates are realized, the District's budgetary general fund balance is expected to remain unchanged at about \$7.4 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, 2020

1

Data Control Codes	Governmental Activities
ASSETS:	
1110 <i>Cash and Cash Equivalents</i>	\$ 9,874,391
1225 <i>Property Taxes Receivable (Net)</i>	71,597
1240 <i>Due from Other Governments</i>	601,689
1260 <i>Internal Balances</i>	351
1410 <i>Unrealized Expenses</i>	130,550
Capital Assets:	
1510 <i>Land</i>	392,251
1520 <i>Buildings and Improvements, Net</i>	17,808,441
1530 <i>Furniture and Equipment, Net</i>	1,139,547
1580 <i>Construction in Progress</i>	17,819,620
1000 Total Assets	<u>47,838,437</u>
DEFERRED OUTFLOWS OF RESOURCES:	
	1,437,950
	1,275,284
1700 Total Deferred Outflows of Resources	<u>2,713,234</u>
LIABILITIES:	
2110 <i>Accounts Payable</i>	118,048
2165 <i>Accrued Liabilities</i>	482,188
2177 <i>Due to Fiduciary</i>	351
2300 <i>Unearned Revenue</i>	584,277
Noncurrent Liabilities:	
2501 <i>Due Within One Year</i>	1,223,222
2502 <i>Due in More Than One Year</i>	33,406,459
2540 <i>Net Pension Liability</i>	2,478,440
2545 <i>Net OPEB Liability</i>	3,486,989
2000 Total Liabilities	<u>41,779,974</u>
DEFERRED INFLOWS OF RESOURCES:	
	403,838
	1,508,524
2600 Total Deferred Inflows of Resources	<u>1,912,362</u>
NET POSITION:	
3200 Net Investment in Capital Assets	4,633,621
Restricted For:	
3820 <i>State and Federal Programs</i>	105,005
3850 <i>Debt Service</i>	720,530
3860 <i>Capital Projects</i>	1,012,444
3870 <i>Campus Activities</i>	83,689
3900 <i>Unrestricted</i>	304,046
3000 Total Net Position	<u>\$ 6,859,335</u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 6,263,938	\$ 65,626	\$ 342,477	\$ (5,855,835)	
12	Instructional Resources and Media Services	268,454	2,966	10,867	(254,621)	
13	Curriculum and Staff Development	19,395	221	810	(18,364)	
21	Instructional Leadership	248,894	2,654	11,620	(234,620)	
23	School Leadership	730,298	7,767	28,455	(694,076)	
31	Guidance, Counseling, & Evaluation Services	291,803	3,162	11,582	(277,059)	
33	Health Services	145,213	1,561	5,720	(137,932)	
34	Student Transportation	482,618	4,827	17,683	(460,108)	
35	Food Service	594,172	288,125	104,202	(201,845)	
36	Cocurricular/Extracurricular Activities	768,633	60,103	29,360	(679,170)	
41	General Administration	553,313	6,037	22,116	(525,160)	
51	Facilities Maintenance and Operations	1,621,556	18,618	72,706	(1,530,232)	
52	Security and Monitoring Services	123,124	1,249	11,588	(110,287)	
53	Data Processing Services	119,544	1,353	4,957	(113,234)	
72	Interest on Long-term Debt	1,404,222	--	--	(1,404,222)	
73	Bond Issuance Costs and Fees	4,800	--	--	(4,800)	
81	Capital Outlay	453,660	5,738	21,019	(426,903)	
99	Other Intergovernmental Charges	106,218	--	--	(106,218)	
TG	Total Governmental Activities	<u>14,199,855</u>	<u>470,007</u>	<u>695,162</u>	<u>(13,034,686)</u>	
TP	Total Primary Government	<u>\$ 14,199,855</u>	<u>\$ 470,007</u>	<u>\$ 695,162</u>	<u>(13,034,686)</u>	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				6,344,462	
DT	Property Taxes, Levied for Debt Service				2,557,611	
IE	Investment Earnings				167,441	
GC	Grants and Contributions Not Restricted to Specific Programs				4,340,098	
MI	Miscellaneous				36,858	
	Special and Extraordinary Items:					
S1	Special Item Inflow				(142,782)	
TR	Total General Revenues				<u>13,303,688</u>	
CN	Change in Net Position				269,002	
NB	Net Position - Beginning				6,590,333	
NE	Net Position - Ending				<u>\$ 6,859,335</u>	

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund
ASSETS:		
1110	\$ 8,387,723	\$ 720,530
1225	55,927	15,670
1240	555,433	--
1260	29,343	--
1410	130,550	--
1000	<u>\$ 9,158,976</u>	<u>\$ 736,200</u>
LIABILITIES:		
Current Liabilities:		
2110	\$ 82,491	\$ --
2150	40,927	--
2160	391,449	--
2170	478,030	--
2200	25,848	--
2300	583,855	--
2000	<u>1,602,600</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES:		
	55,927	15,670
2600	<u>55,927</u>	<u>15,670</u>
FUND BALANCES:		
Restricted Fund Balances:		
3450	--	--
3480	--	720,530
3490	--	--
Committed Fund Balances:		
3510	1,150,000	--
3600	6,350,449	--
3000	<u>7,500,449</u>	<u>720,530</u>
4000	<u>\$ 9,158,976</u>	<u>\$ 736,200</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 593,309	\$ 172,829	\$ 9,874,391
--	--	71,597
--	46,256	601,689
477,479	200	507,022
--	--	130,550
<u>\$ 1,070,788</u>	<u>\$ 219,285</u>	<u>\$ 11,185,249</u>
\$ 29,352	\$ 6,205	\$ 118,048
--	--	40,927
--	20,021	411,470
28,992	--	507,022
--	3,943	29,791
--	422	584,277
<u>58,344</u>	<u>30,591</u>	<u>1,691,535</u>
<u>--</u>	<u>--</u>	<u>71,597</u>
<u>--</u>	<u>--</u>	<u>71,597</u>
--	105,005	105,005
--	--	720,530
--	83,689	83,689
1,012,444	--	2,162,444
--	--	6,350,449
<u>1,012,444</u>	<u>188,694</u>	<u>9,422,117</u>
<u>\$ 1,070,788</u>	<u>\$ 219,285</u>	<u>\$ 11,185,249</u>

LONDON INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2020*

Total fund balances - governmental funds balance sheet	\$ 9,422,117
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	37,159,859
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	71,597
Payables for bond principal which are not due in the current period are not reported in the funds.	(31,701,547)
Payables for notes which are not due in the current period are not reported in the funds.	(1,418,000)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(2,478,440)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(403,838)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,437,950
Bond premiums are amortized in the SNA but not in the funds.	(1,510,134)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(3,486,989)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(1,508,524)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>1,275,284</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 6,859,335</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, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 6,609,976	\$ 2,575,401
5800 <i>State Program Revenues</i>	4,324,938	--
5900 <i>Federal Program Revenues</i>	5,237	--
5020 <i>Total Revenues</i>	<u>10,940,151</u>	<u>2,575,401</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	5,044,147	--
0012 <i>Instructional Resources and Media Services</i>	234,790	--
0013 <i>Curriculum and Staff Development</i>	17,925	--
0021 <i>Instructional Leadership</i>	209,506	--
0023 <i>School Leadership</i>	625,350	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	249,628	--
0033 <i>Health Services</i>	123,991	--
0034 <i>Student Transportation</i>	711,741	--
0035 <i>Food Service</i>	24,734	--
0036 <i>Cocurricular/Extracurricular Activities</i>	634,218	--
0041 <i>General Administration</i>	486,430	--
0051 <i>Facilities Maintenance and Operations</i>	1,496,447	--
0052 <i>Security and Monitoring Services</i>	98,606	--
0053 <i>Data Processing Services</i>	106,835	--
0071 <i>Principal on Long-term Debt</i>	214,000	1,001,205
0072 <i>Interest on Long-term Debt</i>	39,068	1,428,189
0073 <i>Bond Issuance Costs and Fees</i>	800	4,000
0081 <i>Capital Outlay</i>	861,698	--
0099 <i>Other Intergovernmental Charges</i>	106,218	--
6030 <i>Total Expenditures</i>	<u>11,286,132</u>	<u>2,433,394</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>		
1100 <i>Expenditures</i>	<u>(345,981)</u>	<u>142,007</u>
Other Financing Sources and (Uses):		
7915 <i>Transfers In</i>	37,000	--
8911 <i>Transfers Out</i>	(537,090)	--
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>(500,090)</u>	<u>--</u>
SPECIAL ITEM:		
8912 <i>Special Item (Use)</i>	--	(142,782)
1200 <i>Net Change in Fund Balances</i>	<u>(846,071)</u>	<u>(775)</u>
0100 <i>Fund Balances - Beginning</i>	8,346,520	721,305
3000 <i>Fund Balances - Ending</i>	<u>\$ 7,500,449</u>	<u>\$ 720,530</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 41,909	\$ 343,301	\$ 9,570,587
--	27,706	4,352,644
--	338,302	343,539
<u>41,909</u>	<u>709,309</u>	<u>14,266,770</u>
--	249,543	5,293,690
--	--	234,790
--	--	17,925
--	1,895	211,401
--	--	625,350
--	--	249,628
--	--	123,991
--	--	711,741
--	488,621	513,355
--	46,512	680,730
--	--	486,430
--	4,500	1,500,947
--	7,012	105,618
--	--	106,835
--	--	1,215,205
--	--	1,467,257
--	--	4,800
6,002,420	--	6,864,118
--	--	106,218
<u>6,002,420</u>	<u>798,083</u>	<u>20,520,029</u>
(5,960,511)	(88,774)	(6,253,259)
450,000	87,090	574,090
--	(37,000)	(574,090)
<u>450,000</u>	<u>50,090</u>	<u>--</u>
--	--	(142,782)
<u>(5,510,511)</u>	<u>(38,684)</u>	<u>(6,396,041)</u>
6,522,955	227,378	15,818,158
<u>\$ 1,012,444</u>	<u>\$ 188,694</u>	<u>\$ 9,422,117</u>

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, 2020*

Net change in fund balances - total governmental funds	\$ (6,396,041)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	6,783,631
The depreciation of capital assets used in governmental activities is not reported in the funds.	(966,515)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	5,792
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,001,205
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	214,000
Bond premiums are reported in the funds but not in the SOA.	63,035
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(303,239)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(132,867)
Rounding difference	<u>1</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 269,002</u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2020

Data Control Codes		<u>Custodial Fund</u>
<u>ASSETS:</u>		<u>Student Activity</u>
1110	<i>Cash and Cash Equivalents</i>	\$ 105,824
1000	Total Assets	<u>105,824</u>
<u>LIABILITIES:</u>		
Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ 105,824
2000	Total Liabilities	<u>105,824</u>
<u>NET POSITION:</u>		
3000	Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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.

Capital Projects Fund: This fund accounts for the bond proceeds and the related expenditures for the various projects approved in the bond issue.

In addition, the District reports the following fund types:

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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.

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	\$ 100,222	\$ 28,081	\$ 128,303
Allowance for Uncollectibles	(44,295)	(12,411)	(56,706)
Net Taxes	\$ 55,927	\$ 15,670	\$ 71,597

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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.

b. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

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.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

f. **Compensated Absences**

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

g. **Interfund Activity**

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

h. **Use of Estimates**

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

i. **Data Control Codes**

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

j. **Fund Balances - Governmental Funds**

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not 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.

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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.

k. Net Position Flow Assumption

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

l. Fund Balance Flow Assumptions

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

4. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS'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

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

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

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This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

GASB Statement No. 83, Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

GASB Statement No. 92, Omnibus 2020

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.

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7. Future Implementation of New Standards

In order to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* is currently in effect to postpone the effective dates of certain provisions in Statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

The effective dates for the following pronouncements are postponed by one year:

Statement No. 84, *Fiduciary Activities*

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Statement No. 90, *Majority Equity Interests*

Statement No. 91, *Conduit Debt Obligations*

Statement No. 92, *Omnibus 2020*

Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates for the following pronouncements are postponed by 18 months:

Statement No. 87, *Leases*

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Violation

	Budget	Actual Amount Spent	Variance
General Fund			
34 Pupil Transportation	\$ 681,365	\$ 711,741	\$ (30,376)

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.

LONDON INDEPENDENT SCHOOL DISTRICT
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1. Cash Deposits:

At August 31, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$836,904 and the bank balance was \$1,290,236. The District's cash deposits at August 31, 2020 and during the year ended August 31, 2020, 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.

The District's investments at August 31, 2020 are shown below and are included with Cash and Cash Equivalents:

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Credit Rate</u>
Lone Star Investment Pool	N/A	\$ 9,143,312	AAAm
Total Investments included with Cash		<u>\$ 9,143,312</u>	

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.

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

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.

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TexSTAR

The District invests in the Texas Short Term Asset Reserve Program (TexSTAR), which has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexSTAR is managed by a five-member board of directors (Board). In accordance with the Public Funds Investment Act, TexSTAR maintains an advisory board composed of participants in TexSTAR and other persons who do not have a business relationship with TexSTAR. Advisory board members are appointed and serve at the will of the Board of Directors. J. P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Company (FSC) serve as co-administrators for TexSTAR under an agreement with the Board. JPMIM provides investment management services, and FSC provides participant services and marketing. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc. The business affairs of TexSTAR are managed by the Board in accordance with its bylaws. The bylaws set forth procedures governing the selection of, and action taken by, the Board. Board oversight of TexSTAR is maintained through various reporting requirements. TexSTAR is rated AAAM by Standard and Poor's and is not operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which generally approximates the market value of the securities. The stated objective of TexSTAR is to maintain a stable \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured.

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government Overnight, Corporate Overnight and Corporate Overnight Plus maintain a net asset value of one dollar.

D. Capital Assets

Capital asset activity for the year ended August 31, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 392,251	\$ --	\$ --	\$ 392,251
Construction in progress	11,950,733	6,196,889	328,002	17,819,620
Total capital assets not being depreciated	<u>12,342,985</u>	<u>6,196,889</u>	<u>328,002</u>	<u>18,211,872</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	24,634,225	133,144	--	24,767,369
Equipment	432,129	451,714	--	883,843
Vehicles	1,067,103	329,887	--	1,396,990
Total capital assets being depreciated	<u>26,133,457</u>	<u>914,745</u>	<u>--</u>	<u>27,048,201</u>

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Less accumulated depreciation for:				
Buildings and improvements	(6,115,429)	(843,499)	--	(6,958,928)
Equipment	(265,860)	(52,476)	--	(318,336)
Vehicles	(752,411)	(70,540)	--	(822,950)
Total accumulated depreciation	<u>(7,133,699)</u>	<u>(966,515)</u>	<u>--</u>	<u>(8,100,214)</u>
Total capital assets being depreciated, net	18,999,757	(51,770)	--	18,947,987
Governmental activities capital assets, net	<u>\$ 31,342,742</u>	<u>\$ 6,145,119</u>	<u>\$ 328,002</u>	<u>\$ 37,159,859</u>

Depreciation was charged to functions as follows:

Instruction	\$ 479,959
Instructional Resources and Media Services	20,341
Curriculum and Staff Development	1,470
Instructional Leadership	18,859
School Leadership	55,335
Guidance, Counseling, & Evaluation Services	22,110
Health Services	11,003
Student Transportation	70,540
Food Services	45,020
Extracurricular Activities	58,704
General Administration	41,924
Plant Maintenance and Operations	122,865
Security and Monitoring Services	9,329
Data Processing Services	9,056
	<u>\$ 966,515</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2020, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 28,992	Short-term loans
General Fund	General Fund (Clearing)	333	Short-term loans
Capital Projects Fund	General Fund	477,479	Short-term loans
Other Governmental Funds	General Fund	200	Short-term loans
Custodial	General Fund	18	Short-term loans
	Total	<u>\$ 507,022</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2020, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General fund	Capital Projects Fund	\$ 450,000	Supplement other funds sources
General fund	Other Governmental Funds	87,090	Supplement other funds sources
Other Governmental Funds	General Fund	37,000	Supplement other funds sources
	Total	<u>\$ 574,090</u>	

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

F. Long-Term Obligations

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
2014 Unlimited Tax					
School Building Bonds 4.0%	\$ 9,462,752		\$ 131,205	\$ 9,331,547	\$ 129,222
2015 Unlimited Tax					
School Building Bonds 4.0%	4,890,000		255,000	4,635,000	265,000
2018 Unlimited Tax School					
Building and Refunding					
Bonds 4.0%-5.0%	18,350,000		615,000	17,735,000	610,000
Total Bonds	<u>32,702,752</u>	<u>--</u>	<u>1,001,205</u>	<u>31,701,547</u>	<u>1,004,222</u>
Maintenance Tax Time					
Warrants 2015 2.5%	632,000		99,000	533,000	101,000
Limited Maintenance Tax					
Notes 2019 2.27%	1,000,000		115,000	885,000	118,000
Total Notes	<u>1,632,000</u>	<u>--</u>	<u>214,000</u>	<u>1,418,000</u>	<u>219,000</u>
Premium	<u>1,573,169</u>		<u>63,035</u>	<u>1,510,134</u>	
Total governmental activities	<u>\$ 35,907,921</u>	<u>\$ --</u>	<u>\$ 1,278,240</u>	<u>34,629,681</u>	<u>\$ 1,223,222</u>
Due Within One Year				<u>(1,223,222)</u>	
Due in More Than One Year				<u>\$ 33,406,459</u>	
Net Pension Liability	<u>\$ 2,463,125</u>	<u>\$ 15,315</u>		<u>\$ 2,478,440</u>	
Net OPEB Liability	<u>\$ 3,091,292</u>	<u>\$ 395,697</u>		<u>\$ 3,486,989</u>	

* Other long-term liabilities

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

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

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2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2020, are as follows:

Year Ending August 31,	Governmental Activities				Total
	Bonds		Notes from Direct Borrowings and Direct Placements		
	Principal	Interest	Principal	Interest	
2021	\$ 1,004,222	\$ 1,402,922	\$ 219,000	\$ 33,414	\$ 2,659,558
2022	1,008,196	1,376,598	225,000	28,211	2,638,005
2023	1,025,686	1,345,257	231,000	22,864	2,624,807
2024	1,056,169	1,310,025	235,000	17,375	2,618,569
2025	1,027,274	1,282,370	508,000	20,915	2,838,559
2026-2030	5,370,000	5,438,569			10,808,569
2031-2035	5,545,000	4,327,994			9,872,994
2036-2040	6,240,000	3,165,256			9,405,256
2041-2045	7,675,000	1,593,494			9,268,494
2046-2050	1,750,000	87,500			1,837,500
Totals	<u>\$ 31,701,547</u>	<u>\$ 21,329,985</u>	<u>\$ 1,418,000</u>	<u>\$ 122,779</u>	<u>\$ 54,572,311</u>

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 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.

<u>Bond Issue</u>	
2008 Unlimited Tax School building Bonds	\$ <u>2,260,000</u>

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.

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 2020, 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.

LONDON INDEPENDENT SCHOOL DISTRICT
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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 work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/TRS%20Documents/cafr2019.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 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% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for 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.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

4. Contributions

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

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>		
	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2019 Employer Contributions	\$ 257,414	
District's 2019 Member Contributions	\$ 487,496	
2019 NECE On-Behalf Contributions (state)	\$ 296,377	

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

--- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution

5. Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
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 2019	2.63%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

6. Discount Rate

A single discount rate of 7.25% 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%. 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% of payroll in fiscal year 2020 gradually increasing to 9.55% 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%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Asset Class	FY 2019 Target Allocation *	New Target Allocation **	Long-Term Expected Geometric Real Rate of Return ***
Global Equity			
USA	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	-	-
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries ****	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds ****	3.0%	-	-
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources & Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5%*****
Leverage			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	-	-6.0%	2.7%
Expected Return	100.0%	100.0%	7.23%
<p>* Target allocations are based on the Strategic Asset Allocation as of FY2019</p> <p>** New allocations are based on the Strategic Asset Allocation to be implemented FY2020</p> <p>*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%</p> <p>**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds</p> <p>***** 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility</p>			

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

	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:	\$ 3,809,723	\$ 2,478,440	\$ 1,399,845

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

At August 31, 2020, the District reported a liability of \$2,478,440 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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District's proportionate share of the collective net pension liability	\$	2,478,440
State's proportionate share that is associated with District		4,401,920
Total	\$	6,880,360

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 through August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0047677787%. which was an increase (decrease) of 0.0047677787% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation -

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

For the year ended August 31, 2020, the District recognized pension expense of \$691,480 and revenue of \$691,480 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 10,412	\$ 86,055
Changes in actuarial assumptions	768,934	317,760
Difference between projected and actual investment earnings	24,887	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	376,303	23
Contributions paid to TRS subsequent to the measurement date	257,414	--
Total	\$ 1,437,950	\$ 403,838

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

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Year Ended August 31	Pension Expense Amount
2021	\$ 204,182
2022	\$ 173,464
2023	\$ 181,560
2024	\$ 166,977
2025	\$ 67,024
Thereafter	\$ (16,511)

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 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.

2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf>, 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 schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

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. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

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

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2019	2020
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
District's 2020 Employer Contributions		\$ 68,496
District's 2020 Member Contributions		\$ 487,496
2019 NECE On-Behalf Contributions (state)		\$ 69,532

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When 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 \$73.6 million in fiscal year 2019.

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. 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 valuations 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 identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
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	7.30% **
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. ***
Ad Hoc Post-Employment Benefit Changes	None

* Includes inflation at 2.5%.

**7.3% for FY2020, 7.4% for FY 2021, 7.0% for FY 2022, decreasing 0.5% per year to an ultimate rate of 4.5% for FY 2027 and later years.

*** 25% of pre-65 retirees are assumed to discontinue coverage at age 65.

6. Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was an increase of 1.06% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of net OPEB liability	\$ 4,209,915	\$ 3,486,989	\$ 2,921,444

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

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

At August 31, 2020, the District reported a liability of \$508,859 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$	3,486,989
State's proportionate share that is associated with the District		4,633,429
Total	\$	8,120,418

The Net OPEB liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 thru August 31, 2019.

At August 31, 2020 the District's proportion of the collective net OPEB liability was 0.0073734381, which was an increase (decrease) of .0011823005% from its proportion measured as of August 31, 2018.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of net OPEB liability	\$ 2,844,563	\$ 3,486,989	\$ 4,347,545

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 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- [The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB expense of \$122,118 and revenue of \$122,118 for support provided by the State.

At August 31, 2020, 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, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 171,066	\$ 570,609
Changes in actuarial assumptions	193,675	937,915
Differences between projected and actual investment earnings	376	
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	841,671	--
Contributions paid to TRS subsequent to the measurement date	68,496	
Total	\$ 1,275,284	\$ 1,508,524

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
2021	\$ (84,338)
2022	\$ (84,338)
2023	\$ (84,460)
2024	\$ (84,529)
2025	\$ (84,512)
Thereafter	\$ 120,442

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 current fiscal year ended August 31, 2020, the subsidy payment received by TRS-Care on behalf of the District was \$29,475.

J. Employee Health Care Coverage

During the year ended August 31, 2020, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$255 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

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

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

K. Commitments and Contingencies

1. Contingencies

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

L. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through January 21, 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:

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.

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, 2020

EXHIBIT G-1
Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 6,414,100	\$ 6,484,700	\$ 6,609,976	\$ 125,276
5800	State Program Revenues	4,105,530	4,240,530	4,324,938	84,408
5900	Federal Program Revenues	30,000	30,000	5,237	(24,763)
5020	Total Revenues	<u>10,549,630</u>	<u>10,755,230</u>	<u>10,940,151</u>	<u>184,921</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	5,152,975	5,317,475	5,044,147	273,328
0012	Instructional Resources and Media Services	239,533	266,133	234,790	31,343
0013	Curriculum and Staff Development	27,300	27,300	17,925	9,375
	Total Instruction & Instr. Related Services	<u>5,419,808</u>	<u>5,610,908</u>	<u>5,296,862</u>	<u>314,046</u>
Instructional and School Leadership:					
0021	Instructional Leadership	156,928	219,728	209,506	10,222
0023	School Leadership	640,818	638,618	625,350	13,268
	Total Instructional & School Leadership	<u>797,746</u>	<u>858,346</u>	<u>834,856</u>	<u>23,490</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	232,800	265,900	249,628	16,272
0033	Health Services	113,111	128,711	123,991	4,720
0034	Student (Pupil) Transportation	256,011	681,365	711,741	(30,376)
0035	Food Services	6,000	29,000	24,734	4,266
0036	Cocurricular/Extracurricular Activities	744,441	756,941	634,218	122,723
	Total Support Services - Student (Pupil)	<u>1,352,363</u>	<u>1,861,917</u>	<u>1,744,312</u>	<u>117,605</u>
Administrative Support Services:					
0041	General Administration	482,658	511,458	486,430	25,028
	Total Administrative Support Services	<u>482,658</u>	<u>511,458</u>	<u>486,430</u>	<u>25,028</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,696,435	1,689,435	1,496,447	192,988
0052	Security and Monitoring Services	113,087	130,887	98,606	32,281
0053	Data Processing Services	103,443	118,043	106,835	11,208
	Total Support Services - Nonstudent Based	<u>1,912,965</u>	<u>1,938,365</u>	<u>1,701,888</u>	<u>236,477</u>
Debt Service:					
0071	Principal on Long-Term Debt	377,000	205,500	214,000	(8,500)
0072	Interest on Long-Term Debt	--	50,000	39,068	10,932
0073	Bond Issuance Costs and Fees	--	2,000	800	1,200
	Total Debt Service	<u>377,000</u>	<u>257,500</u>	<u>253,868</u>	<u>3,632</u>
Capital Outlay:					
0081	Capital Outlay	--	870,298	861,698	8,600
	Total Capital Outlay	<u>--</u>	<u>870,298</u>	<u>861,698</u>	<u>8,600</u>
0099	Other Intergovernmental Charges	120,000	120,000	106,218	13,782
	Total Intergovernmental Charges	<u>120,000</u>	<u>120,000</u>	<u>106,218</u>	<u>13,782</u>
6030	Total Expenditures	<u>10,462,540</u>	<u>12,028,792</u>	<u>11,286,132</u>	<u>742,660</u>
1100	Excess (Deficiency) of Revenues Over (Under)				

LONDON INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT G-1
Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Expenditures	<u>87,090</u>	<u>(1,273,562)</u>	<u>(345,981)</u>	<u>927,581</u>
	Other Financing Sources (Uses):				
7915	Transfers In	--	37,000	37,000	--
8911	Transfers Out	<u>(87,090)</u>	<u>(1,058,090)</u>	<u>(537,090)</u>	<u>521,000</u>
7080	Total Other Financing Sources and (Uses)	<u>(87,090)</u>	<u>(1,021,090)</u>	<u>(500,090)</u>	<u>521,000</u>
1200	Net Change in Fund Balance	--	<u>(2,294,652)</u>	<u>(846,071)</u>	<u>1,448,581</u>
0100	Fund Balance - Beginning	8,346,520	8,346,520	8,346,520	--
3000	Fund Balance - Ending	<u>\$ 8,346,520</u>	<u>\$ 6,051,868</u>	<u>\$ 7,500,449</u>	<u>\$ 1,448,581</u>

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

	Fiscal Year					
	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0047677787%	0.0044749576%	0.0042165835%	0.0039598355%	0.0040661000%	0.0020426000%
District's proportionate share of the net pension liability (asset)	\$ 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	4,401,920	4,510,098	2,761,108	3,090,513	2,671,442	2,343,238
Total	<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	\$ 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	43.98%	46.55%	26.01%	32.41%	34.54%	14.00%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

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

	Fiscal Year				
	2020	2019	2018	2017	2015
Contractually required contribution	\$ 257,414	\$ 157,975	\$ 150,486	\$ 145,832	\$ 125,814
Contributions in relation to the contractually required contribution	(257,414)	(157,975)	(150,486)	(145,832)	(125,814)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 6,331,119	\$ 5,631,959	\$ 5,291,181	\$ 5,184,244	\$ 4,617,337
Contributions as a percentage of covered-employee payroll	4.07%	2.80%	2.84%	2.81%	2.72%
					2.89%

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

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

	Measurement Year Ended		
	2019	2018	2017
District's proportion of the collective net OPEB liability	0.0073734381%	0.0061911376%	0.0058007184%
District's proportionate share of the collective net OPEB liability	\$ 3,486,989	\$ 3,091,292	\$ 2,522,515
State proportionate share of the collective net OPEB liability associated with the District	4,633,429	4,577,097	4,175,922
Total	<u>\$ 8,120,418</u>	<u>\$ 7,668,389</u>	<u>\$ 6,698,437</u>
District's covered-employee payroll	\$ 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	61.87%	58.42%	48.66%
Plan fiduciary net position as a percentage of the total OPEB liability	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		
	2020	2019	2018
Statutorily or contractually required District contribution	\$ 68,496	\$ 54,259	\$ 42,276
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(68,496)	(54,259)	(42,276)
Contribution deficiency (excess)	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 6,331,119	\$ 5,631,959	\$ 5,291,183
Contributions as a percentage of covered-employee payroll	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, 2020*

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.

266 Cares Act Coronavirus Relief Fund (CRF)	289 Harvey Restart Grant	397 Advanced Placement Incentives	410 State Textbook Fund	427 State Funded Special Revenue Fund
\$ (18,250) 18,250	\$ (22,951) 22,951	\$ 72 --	\$ (3,721) 3,721	\$ (200) --
--	--	--	--	200
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 72</u>	<u>\$ --</u>	<u>\$ --</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	72	--	--
<u>--</u>	<u>--</u>	<u>72</u>	<u>--</u>	<u>--</u>
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 72</u>	<u>\$ --</u>	<u>\$ --</u>

LONDON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2020

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
ASSETS:				
1110	\$ 7,069	\$ 16,605	\$ 290	\$ 103,963
1240	--	--	--	1,334
1260	--	--	--	--
1000	<u>\$ 7,069</u>	<u>\$ 16,605</u>	<u>\$ 290</u>	<u>\$ 105,297</u>
LIABILITIES:				
Current Liabilities:				
2110	\$ --	\$ --	\$ --	\$ 292
2160	5,626	14,134	261	--
2200	1,443	2,471	29	--
2300	--	--	--	--
2000	<u>7,069</u>	<u>16,605</u>	<u>290</u>	<u>292</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	--	--	--	105,005
3490	--	--	--	--
3000	<u>--</u>	<u>--</u>	<u>--</u>	<u>105,005</u>
4000	<u>\$ 7,069</u>	<u>\$ 16,605</u>	<u>\$ 290</u>	<u>\$ 105,297</u>

*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 SPECIAL REVENUE FUNDS
 AUGUST 31, 2020

Data Control Codes	429 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
1110	\$ 350	\$ 89,602	\$ 172,829
1240	--	--	46,256
1260	--	--	200
1000	<u>\$ 350</u>	<u>\$ 89,602</u>	<u>\$ 219,285</u>
LIABILITIES:			
Current Liabilities:			
2110	\$ --	\$ 5,913	\$ 6,205
2160	--	--	20,021
2200	--	--	3,943
2300	350	--	422
2000	<u>350</u>	<u>5,913</u>	<u>30,591</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450	--	--	105,005
3490	--	83,689	83,689
3000	<u>--</u>	<u>83,689</u>	<u>188,694</u>
4000	<u>\$ 350</u>	<u>\$ 89,602</u>	<u>\$ 219,285</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, 2020

Data Control Codes	204 Title IV Part A Subpart 1	211 ESEA Title I Improving Basic Programs	224 IDEA-Part B Formula	225 IDEA-Part B Preschool Grant
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--	--
5900 <i>Federal Program Revenues</i>	7,012	63,027	147,476	1,724
5020 Total Revenues	<u>7,012</u>	<u>63,027</u>	<u>147,476</u>	<u>1,724</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	--	61,132	147,476	1,724
0021 <i>Instructional Leadership</i>	--	1,895	--	--
0035 <i>Food Service</i>	--	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0051 <i>Facilities Maintenance and Operations</i>	--	--	--	--
0052 <i>Security and Monitoring Services</i>	7,012	--	--	--
6030 Total Expenditures	<u>7,012</u>	<u>63,027</u>	<u>147,476</u>	<u>1,724</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	--	--	--
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	--	--	--	--
8911 <i>Transfers Out</i>	--	--	--	--
7080 Total Other Financing Sources and (Uses)	--	--	--	--
1200 Net Change in Fund Balances	--	--	--	--
0100 Fund Balances - Beginning	--	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

EXHIBIT H-2

240 National School Breakfast/Lunch Program	266 Cares Act Coronavirus Relief Fund (CRF)	410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ 287,813	\$ --	\$ --	\$ 55,488	\$ 343,301
2,245	--	25,461	--	27,706
100,813	18,250	--	--	338,302
<u>390,871</u>	<u>18,250</u>	<u>25,461</u>	<u>55,488</u>	<u>709,309</u>
--	13,750	25,461	--	249,543
--	--	--	--	1,895
488,621	--	--	--	488,621
--	--	--	46,512	46,512
--	4,500	--	--	4,500
--	--	--	--	7,012
<u>488,621</u>	<u>18,250</u>	<u>25,461</u>	<u>46,512</u>	<u>798,083</u>
<u>(97,750)</u>	<u>--</u>	<u>--</u>	<u>8,976</u>	<u>(88,774)</u>
87,090	--	--	--	87,090
--	--	--	(37,000)	(37,000)
<u>87,090</u>	<u>--</u>	<u>--</u>	<u>(37,000)</u>	<u>50,090</u>
<u>(10,660)</u>	<u>--</u>	<u>--</u>	<u>(28,024)</u>	<u>(38,684)</u>
115,665	--	--	111,713	227,378
<u>\$ 105,005</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 83,689</u>	<u>\$ 188,694</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 DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2020

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2011 and Prior Years	\$ Various	\$ Various	\$ Various
2012	.90	.3629	226,431,718
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 (School Year Under Audit)	.96	.3875	675,033,134
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 9/1/19	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/20
\$ 9,858	\$ --	\$ 64	\$ --	\$ (2,340)	\$ 7,455
4,300	--	14	5	--	4,281
5,995	--	16	6	--	5,973
20,094	--	104	31	--	19,959
13,646	--	2,573	1,170	2,528	12,430
7,021	--	2,516	1,016	2,327	5,815
7,549	--	3,639	1,449	2,200	4,661
6,903	--	11,151	3,315	12,132	4,569
38,858	--	28,772	11,769	13,093	11,410
--	8,969,845	6,261,977	2,527,625	(128,493)	51,750
<u>\$ 114,224</u>	<u>\$ 8,969,845</u>	<u>\$ 6,310,825</u>	<u>\$ 2,546,387</u>	<u>\$ (98,554)</u>	<u>\$ 128,303</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

LONDON INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT J-2

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 442,900	\$ 287,813	\$ (155,087)
5800 <i>State Program Revenues</i>	2,000	2,245	245
5900 <i>Federal Program Revenues</i>	122,000	100,813	(21,187)
5020 Total Revenues	<u>566,900</u>	<u>390,871</u>	<u>(176,029)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	653,990	488,621	165,369
Total Support Services - Student (Pupil)	<u>653,990</u>	<u>488,621</u>	<u>165,369</u>
6030 Total Expenditures	<u>653,990</u>	<u>488,621</u>	<u>165,369</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(87,090)</u>	<u>(97,750)</u>	<u>(10,660)</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	87,090	87,090	--
7080 Total Other Financing Sources and (Uses)	<u>87,090</u>	<u>87,090</u>	<u>--</u>
1200 Net Change in Fund Balance	--	(10,660)	(10,660)
0100 Fund Balance - Beginning	115,665	115,665	--
3000 Fund Balance - Ending	<u>\$ 115,665</u>	<u>\$ 105,005</u>	<u>\$ (10,660)</u>

LONDON INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 2,435,000	\$ 2,575,401	\$ 140,401
5020 Total Revenues	<u>2,435,000</u>	<u>2,575,401</u>	<u>140,401</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	1,002,000	1,001,205	795
0072 <i>Interest on Long-Term Debt</i>	1,429,000	1,428,189	811
0073 <i>Bond Issuance Costs and Fees</i>	4,000	4,000	--
Total Debt Service	<u>2,435,000</u>	<u>2,433,394</u>	<u>1,606</u>
6030 Total Expenditures	<u>2,435,000</u>	<u>2,433,394</u>	<u>1,606</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>--</u>	<u>142,007</u>	<u>142,007</u>
SPECIAL ITEM:			
8912 <i>Special Item (Use)</i>	<u>--</u>	<u>(142,782)</u>	<u>142,782</u>
1200 Net Change in Fund Balance	<u>--</u>	<u>(775)</u>	<u>(775)</u>
0100 Fund Balance - Beginning	721,305	721,305	--
3000 Fund Balance - Ending	<u>\$ 721,305</u>	<u>\$ 720,530</u>	<u>\$ (775)</u>



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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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of London Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise London Independent School District's basic financial statements, and have issued our report thereon dated January 21, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the London Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

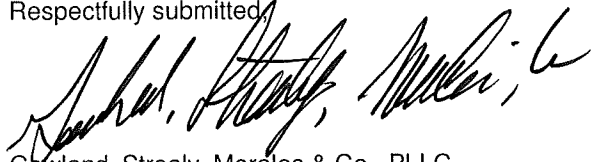
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Andrew Streaty, Morales & Co.", written over a horizontal line.

Gowland, Streaty, Morales & Co., PLLC

Corpus Christi, Texas
January 21, 2021

LONDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
One or more material weaknesses identified?	<u> </u> Yes	<u> X </u> No	
One or more significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

2. Federal Awards

SINGLE AUDIT NOT REQUIRED

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

N/A

LONDON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020

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

LONDON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2020

NONE REQUIRED - N/A

LONDON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2020

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.)	Yes
	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.	
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 statues, 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	\$ --