

**LONDON INDEPENDENT
SCHOOL DISTRICT**

Annual Financial Report

For The Year Ended August 31, 2018



GOWLAND, STREALLY, MORALES & COMPANY, PLLC

Certified Public Accountants

London Independent School District
Annual Financial Report
For The Year Ended August 31, 2018

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Introductory Section

CERTIFICATE OF BOARD

London Independent School District
Name of School District

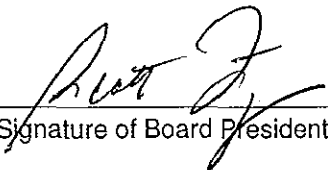
Nueces
County

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, 2018, at a meeting of the board of trustees of such school district on the 21st day of January, 2019.



Signature of Board Secretary



Signature of Board President

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

Financial Section



GOWLAND, STREATLY, MORALES & COMPANY, PLLC

Certified Public Accountants

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

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2018, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, London Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

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.

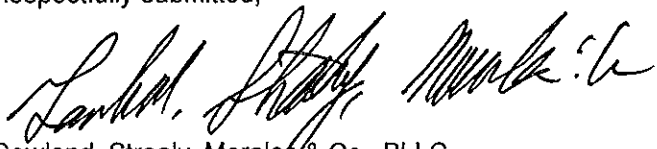
The combining and individual nonmajor fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected 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 December 19, 2018 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, Strealy, Morales & Co.", written in a cursive, stylized script.

Gowland, Strealy, Morales & Co., PLLC

Corpus Christi, Texas
December 19, 2018

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, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

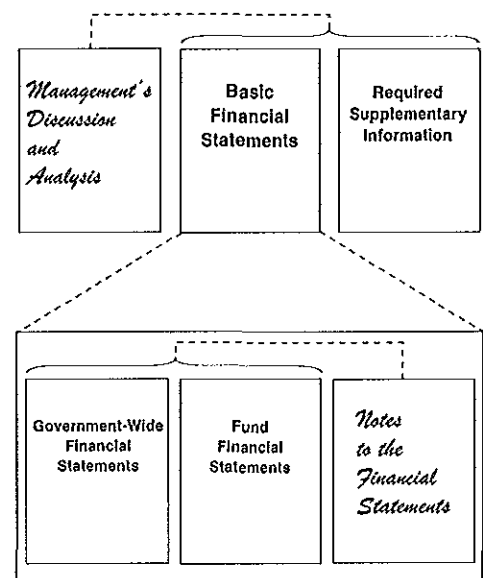
- The District's total combined net position was \$2,822,891 at August 31, 2018.
- During the year, the District's expenses were \$2,338,179 lower than the \$12,382,614 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$3,300 higher than last year.
- The general fund reported a fund balance this year of \$5,046,087 an increase of \$1,681,439.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

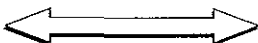
Summary  Detail

Figure A-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 2,822,891, August 31, 2018. (See Table A-1).

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

	Governmental Activities		Total Change
	2018	2017	2018-2017
Current and Other Assets	\$ 23,899,356	\$ 5,580,573	\$ 18,318,783
Capital and Non-Current	20,900,558	20,483,764	416,794
Total Assets	<u>44,799,914</u>	<u>26,064,337</u>	<u>18,735,577</u>
Deferred Outflows of Resources	<u>693,224</u>	<u>770,600</u>	<u>(77,376)</u>
Current Liabilities	2,422,188	1,437,339	984,849
Noncurrent Liabilities	<u>38,986,692</u>	<u>20,403,456</u>	<u>18,583,236</u>
Total Liabilities	<u>41,408,880</u>	<u>21,840,795</u>	<u>19,568,085</u>
Deferred Inflows Related to Pensions	<u>1,261,367</u>	<u>86,253</u>	<u>1,175,114</u>
Net Assets Invested in			
Capital Assets net of			
Related Debt	3,567,998	1,909,815	1,658,183
Restricted	785,888	653,710	132,178
Unrestricted	<u>(1,530,995)</u>	<u>2,344,364</u>	<u>(3,875,359)</u>
Total Net Position	<u>\$ 2,822,891</u>	<u>\$ 4,907,889</u>	<u>\$ (2,084,998)</u>

Net position Invested in Capital Assets net of related Debt reflects the book value of the District's capital assets at \$3,567,998 less related debt. The District's restricted net position includes state and federal programs, debt service, and campus activities. The \$(1,530,995) of unrestricted net assets represents resources available for investments, capital projects and programs.

Changes in net position. The District's total revenues were \$12,382,614. Of that, 42 percent of the District's revenue comes from taxes, 44 percent comes from state aid not restricted to specific programs, and 7 percent comes from operating grants, while only 5 percent relates to charges for services.

The total cost of all programs and services was \$10,014,435; 65 percent of these costs are for direct student services, which include: instruction, instructional resources, guidance and counseling, food services, health services, transportation, and co-curricular activities.

Governmental Activities

- Total property tax rate decreased from \$1.3575/100 to \$1.3492/100, which includes \$.3092/100 for debt service on bonds, and \$1.04/100 maintenance and operations.
- Certified property values totaled 389,640,925, a 13.48% increase from the prior year value of \$343,359,293, the net result of continued steady increase in residential growth, with a slight increase also in mineral property values.

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

	Governmental Activities		Total Change
	2018	2017	2018-2017
Program Revenues:			
Charges for Services	\$ 648,253	\$ 589,015	\$ 59,238
Operating Grants and Contributions	814,906	812,581	2,325
General Revenues:			
Property Taxes	5,218,383	4,518,483	699,900
State Aid – Formula	5,496,872	4,758,511	738,361
Investment Earnings	164,142	33,723	130,419
Other	40,058	34,979	5,079
Total Revenues	<u>12,382,614</u>	<u>10,747,292</u>	<u>1,635,322</u>
Instruction	4,505,619	4,507,641	(2,022)
Instructional Resources and Media Services	142,175	141,456	719
Curriculum Dev. And Instructional Staff Dev.	15,763	20,730	(4,967)
Instructional Leadership	164,464	185,512	(21,048)
School Leadership	401,526	468,278	(66,752)
Guidance, Counseling and Evaluation Services	187,133	184,392	2,741
Health Services	100,418	81,712	18,706
Student (Pupil) Transportation	190,360	251,578	(61,218)
Food Services	553,965	546,964	7,001
Curricular/Extracurricular	803,657	812,161	(8,504)
General Administration	471,364	568,434	(97,070)
Plant Maintenance & Oper.	1,297,566	1,244,690	52,876
Security and Monitoring Services	55,792	45,234	10,558
Data Processing Services	124,270	119,389	4,881
Community Services	-	44,754	(44,754)
Bond Issuance Costs and Fees	317,404	5,305	312,099
Interest on Long-term Debt	646,542	704,122	(57,580)
Capital Outlay	2,878	51,612	(48,734)
Other Intergovernmental Charges	63,539	57,171	6,368
Total Expenses	<u>10,044,435</u>	<u>10,041,135</u>	<u>3,300</u>
Change in Net Position	2,338,179	706,157	1,632,022
Net Position Beginning	4,907,890	4,201,732	706,158
Prior Period Adjustment	(4,423,178)		(4,423,178)
Net Position Beginning, as Restated	484,712		484,712
Net Position Ending	<u>\$ 2,822,891</u>	<u>\$ 4,907,889</u>	<u>\$ 2,338,180</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 \$10,044,435.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$5,218,383.
- Some of the cost was paid by those who directly benefited from the programs \$648,253, or
- By grants and contributions \$814,906.

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

	Total Cost of Services		% Change	Net cost of Services		% Change
	2018	2017		2018	2017	
Instruction	\$ 4,505,619	\$ 4,507,641	-0.04%	\$ 3,939,035	\$ 3,994,732	-1.39%
Plant Maintenance & Operations	1,297,566	1,244,690	4.25%	1,253,592	1,158,924	8.17%
General Administration	471,364	568,434	-17.08%	441,203	529,954	-16.75%
Student(Pupil) Transportation	190,360	251,578	-24.33%	74,720	237,455	-68.53%
Food Service	553,965	546,964	1.28%	20,728	95,534	-78.30%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

All revenues from governmental fund types totaled \$12,387,744, an increase of 16% from the preceding year. Local revenues increased primarily as a result of an increase in local property tax values and higher yields on investments. State funds have increased due to an increase in student enrollment for the current year, and accrual for the first part of the school year. The district is classified as a Chapter 41 district, but is not subject to recapture of excess revenue.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget eight times. Actual expenditures were \$560,866 below final budget amounts, primarily the result of lower than budgeted expenditures for facilities acquisition/renovation in the general fund, and also some savings in supplies expenditures district-wide.

Total revenues were \$1,078,723 above the final budgeted amount as a result of higher than budgeted tax collections and state aid, and mainly due to accrual for next year state revenue at the beginning of the school year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017-18, the District had invested \$27,129,389 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
	2018	2017	2018-2017
Land	\$ 392,252	\$ 392,252	\$ -
Buildings and Improvements	23,947,985	23,936,363	11,622
Vehicles	1,059,933	1,059,933	-
Furniture and Equipment	425,059	416,270	8,789
Construction in Progress	1,304,160	-	1,304,160
Totals at historical cost	27,129,389	25,804,818	1,324,571
Total accumulated depreciation	6,228,832	5,321,054	907,778
Net capital assets	\$ 20,900,557	\$ 20,483,764	\$ 416,793

Long Term Debt

The District has \$33,694,968 in bonds payable, issued 2008, 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 competition gym/band hall addition. The 2008 and 2014 series bonds included capital appreciation bonds. The related accretion payable on these bonds was \$144,985. In 2012, 2013 and 2015 the District issued Maintenance Tax Notes for building renovations, football stadium and portable building acquisitions which have an outstanding balance of \$875,000. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

Table A-5
London Independent School District's Long Term Debt
(In dollars)

	Governmental Activities		Total Percentage Change
	2018	2017	2018-2017
Bonds payable	\$ 33,694,968	\$ 17,394,953	93.7%
Maintenance Tax Notes	875,000	1,179,000	-25.8%
Premium	1,636,204	190,029	761.0%
Accretion payable	144,985	143,112	1.3%
Total bonds & leases payable	<u>\$ 36,351,157</u>	<u>\$ 18,907,094</u>	92.3%

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 8.3% in the 2018-19 budget from \$8,682 this year to \$7,962 for 17-18, mainly due to increased student enrollment and class sizes and severe budget cutbacks and salary freeze due to state funding cuts because of the expiration of the ASATR funding formula. The District's 2018-19 refined average daily attendance is expected to increase by 5.3% from 985 to 1,037.
- Total tax rate for 2018-19 will decrease by about 4.5 cents to \$1.3035/100. M&O tax rate will decrease by about 12 cents to \$.9251/100 as a result of a large increase in tax base with the construction of a wind farm in the district, and I&S rate will increase about 7 cents to \$.3784/100 as a result of the issuance of \$18 million in bonds in June 2018.
- Earnings on investments are rising a bit over recent years, due to a slow rise in interest rates and additional investable fund balance and cash on hand. Rates are expected to stay between 1.90% and 2.50% for most of the fiscal year.
- Property insurance rates will remain steady for the first half of the fiscal year, due to a two-year rate guarantee, expiring Feb 2019. Catastrophic hurricane losses have occurred in Texas and the US in 2017 and 2018, 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. Costs will increase in the last portion of the fiscal year, with the completion of new construction expected to be around August 31.
- Teacher salaries increase due to an increase to the teacher salary scale and new teaching positions added at the secondary level. Auxiliary salaries also increase slightly due to the addition of instructional aide positions and a salary increase for all auxiliary staff. Three to four new positions are planned to add in July 2019 to handle increased elementary and middle school level enrollment.
- Bonds were issued in June 2018 to provide \$18 million for construction of Phase 1 of a new elementary school and a regulation size gymnasium with 1000 seat event capacity for the district, with a band hall space as part of that new gym. Maintenance tax note funding of approximately \$1 million and fund balance of approximately \$700,000 will also be used to complete these projects, along with improvements to the baseball/softball fields.
- The District began its high school program in July 2011 and is now operating a full four-year high school, with a full extracurricular program, and many CTE courses and UIL class 3A varsity athletics for many sports. Total enrollment for 2018-19 school year in grades PK-12 has passed 1,100 and is expected to exceed 1,200 in the 19-20 year. The facilities to be completed in 2019 are expected to handle this continued growth at the elementary and secondary level for the next 1 to 2 years.
- 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 by about \$275 million for 2018-19 fiscal year. That represents a very large increase of approximately 80%, which will provide substantial increased tax revenues for 2018-19, and continued increased tax revenue but substantially decreased state revenue in subsequent years, when the state comptroller tax values catch up in the state aid calculation formulas. The 18-19 year will show a very large increase in local tax revenue and a slight increase in state revenue (due to enrollment growth), however in the 19-20 year, state revenue will fall dramatically, and could create a deficit budget situation that one year, until state comptroller tax values level out for state aid calculations. The larger tax values will also allow for substantial decreases in I&S tax rates in subsequent years, which will then provide additional bonding capacity, to issue more bonds for future construction. The assessed tax value of the windfarm is subject to decline about 10% per year, possibly more in the first year, 19-20. That will create some uncertainty from year to year for local and state funding, however it is not expected to be extremely volatile.

These indicators were taken into account when adopting the general fund budget for 2018-19. Revenues available for appropriation in the general fund budget are \$11,904,841, a large increase of 45.8% over the final 2017-18 revenue budget of \$8,163,383. The M&O tax rate decreases substantially and property tax revenue will increase significantly for one year only, due to higher appraised property tax values because of the addition of the windfarm, which increases the tax base value by 80% - a huge increase. State revenue will decrease due to the loss of ASATR state funding for the second year, and the increased tax values, although there was still a 7% increase in student enrollment. A state hardship grant was awarded in late Aug 2018 to offset a portion of the ASATR funding loss for the following two years. This the last year of the grant, and it will expire and not provide funding after 18-19. 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 2018-19. That will likely change in 19-20 due to the very large property value increases from the windfarm project, when it hits the state tax rolls.

General Fund expenditures for the 2018-19 fiscal year are budgeted at \$10,476,288, an increase of 15.8% from last year's final amended expenditure budget of \$9,050,883. The budget increase provides an increase to the teacher pay scale, and 2% increase to all auxiliary salaries, after a salary freeze the prior year. There were also two new employee positions added, along with facilities and supplies to serve the additional 80 students expected to be enrolled in 2018-19. There were significant increases to major facilities repairs, and improvements to baseball/softball fields, including lighting. Travel budgets and many line items remain constant, with no increases.

If these estimates are realized, the District's budgetary general fund balance is expected to increase by \$1,428,553 to approximately \$6.4 million by the close of fiscal year 2018-19. Some of this excess will most likely be needed to balance the 19-20 budget due to a large state funding reduction because of the large windfarm value added to the tax roll in 18-19. There is a one year delay for those values to affect the state funding formulas, so the first year is a large increase, and the second year is a decrease.

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, 2018

Data Control Codes		1	Governmental Activities
ASSETS:			
1110	Cash and Cash Equivalents	\$	22,735,546
1225	Property Taxes Receivable (Net)		119,742
1240	Due from Other Governments		944,951
1290	Other Receivables (Net)		18,131
1410	Unrealized Expenses		80,986
Capital Assets:			
1510	Land		392,251
1520	Buildings and Improvements, Net		18,666,116
1530	Furniture and Equipment, Net		538,031
1580	Construction in Progress		1,304,160
1000	Total Assets		<u>44,799,914</u>
DEFERRED OUTFLOWS OF RESOURCES:			
	Deferred Outflow Related to Pensions		650,553
	Deferred Outflow Related to OPEB		42,671
1700	Total Deferred Outflows of Resources		<u>693,224</u>
LIABILITIES:			
2110	Accounts Payable		541,258
2165	Accrued Liabilities		558,495
2180	Due to Other Governments		8,278
2300	Unearned Revenue		78,941
Noncurrent Liabilities:			
2501	Due Within One Year		1,235,216
2502	Due in More Than One Year		35,115,941
2540	Net Pension Liability		1,348,236
2545	Net OPEB Liability		2,522,515
2000	Total Liabilities		<u>41,408,880</u>
DEFERRED INFLOWS OF RESOURCES:			
	Deferred Inflow Related to Pensions		206,195
	Deferred Inflow Related to OPEB		1,055,172
2600	Total Deferred Inflows of Resources		<u>1,261,367</u>
NET POSITION:			
3200	Net Investment in Capital Assets		3,567,998
Restricted For:			
3820	State and Federal Programs		57,296
3850	Debt Service		624,702
3870	Campus Activities		103,890
3900	Unrestricted		(1,530,995)
3000	Total Net Position	\$	<u>2,822,891</u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

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	\$ 4,505,619	\$ 88,541	\$ 478,043	\$ (3,939,035)	
12	Instructional Resources and Media Services	142,175	2,738	8,462	(130,975)	
13	Curriculum and Staff Development	15,763	277	105	(15,381)	
21	Instructional Leadership	164,464	3,260	11,009	(150,195)	
23	School Leadership	401,526	8,264	24,321	(368,941)	
31	Guidance, Counseling, & Evaluation Services	187,133	3,847	12,352	(170,934)	
33	Health Services	100,418	2,005	6,044	(92,369)	
34	Student Transportation	190,360	3,342	12,298	(174,720)	
35	Food Service	553,965	386,466	188,227	20,728	
36	Cocurricular/Extracurricular Activities	803,657	112,871	23,458	(667,328)	
41	General Administration	471,364	9,405	20,756	(441,203)	
51	Facilities Maintenance and Operations	1,297,566	23,765	20,209	(1,253,592)	
52	Security and Monitoring Services	55,792	1,092	3,296	(51,404)	
53	Data Processing Services	124,270	2,315	6,301	(115,654)	
72	Interest on Long-term Debt	646,542	--	--	(646,542)	
73	Bond Issuance Costs and Fees	317,404	--	--	(317,404)	
81	Capital Outlay	2,878	65	25	(2,788)	
99	Other Intergovernmental Charges	63,539	--	--	(63,539)	
TG	Total Governmental Activities	10,044,435	648,253	814,906	(8,581,276)	
TP	Total Primary Government	\$ 10,044,435	\$ 648,253	\$ 814,906	(8,581,276)	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				4,010,628	
DT	Property Taxes, Levied for Debt Service				1,207,755	
IE	Investment Earnings				164,142	
GC	Grants and Contributions Not Restricted to Specific Programs				5,496,872	
MI	Miscellaneous				40,058	
TR	Total General Revenues				10,919,455	
CN	Change in Net Position				2,338,179	
NB	Net Position - Beginning				4,907,890	
PA	Prior Period Adjustment				(4,423,178)	
	Net Position - Beginning, as Restated				484,712	
NE	Net Position - Ending				\$ 2,822,891	

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2018

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 Cash and Cash Equivalents	\$ 4,743,276	\$ 17,237,408	\$ 754,863	\$ 22,735,547
1225 Taxes Receivable, Net	92,132	--	27,610	119,742
1240 Due from Other Governments	909,400	--	35,551	944,951
1290 Other Receivables	--	--	18,131	18,131
1410 Unrealized Expenditures	80,986	--	--	80,986
1000 Total Assets	<u>5,825,794</u>	<u>17,237,408</u>	<u>836,155</u>	<u>23,899,357</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ 61,916	\$ 476,741	\$ 2,601	\$ 541,258
2150 Payroll Deductions & Withholdings	109,956	--	--	109,956
2160 Accrued Wages Payable	431,740	--	3,861	435,601
2180 Due to Other Governments	--	--	8,278	8,278
2200 Accrued Expenditures	12,598	--	340	12,938
2300 Unearned Revenue	71,365	--	7,576	78,941
2000 Total Liabilities	<u>687,575</u>	<u>476,741</u>	<u>22,656</u>	<u>1,186,972</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Revenue	92,132	--	27,611	119,743
2600 Total Deferred Inflows of Resources	<u>92,132</u>	<u>--</u>	<u>27,611</u>	<u>119,743</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	57,296	57,296
3480 Retirement of Long-Term Debt	--	--	624,702	624,702
3490 Other Restrictions of Fund Balance	--	--	103,890	103,890
Committed Fund Balances:				
3510 Construction	900,000	16,760,667	--	17,660,667
3600 Unassigned	4,146,087	--	--	4,146,087
3000 Total Fund Balances	<u>5,046,087</u>	<u>16,760,667</u>	<u>785,888</u>	<u>22,592,642</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 5,825,794</u>	<u>\$ 17,237,408</u>	<u>\$ 836,155</u>	<u>\$ 23,899,357</u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2018

Total fund balances - governmental funds balance sheet	\$ 22,592,642
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.	20,900,558
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	119,743
Payables for bond principal which are not due in the current period are not reported in the funds.	(33,694,968)
Payables for notes which are not due in the current period are not reported in the funds.	(875,000)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,348,236)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(206,195)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	650,553
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(144,985)
Bond premiums are amortized in the SNA but not in the funds.	(1,636,204)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(2,522,515)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(1,055,172)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	42,671
Rounding difference	(1)
Net position of governmental activities - Statement of Net Position	\$ <u>2,822,891</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, 2018

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 4,261,739	\$ 64,824	\$ 1,749,403	\$ 6,075,966
5800 <i>State Program Revenues</i>	5,847,818	--	20,437	5,868,255
5900 <i>Federal Program Revenues</i>	61,899	--	381,624	443,523
5020 <i>Total Revenues</i>	<u>10,171,456</u>	<u>64,824</u>	<u>2,151,464</u>	<u>12,387,744</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	4,344,902	--	231,734	4,576,636
0012 <i>Instructional Resources and Media Services</i>	137,042	--	--	137,042
0013 <i>Curriculum and Staff Development</i>	14,253	--	--	14,253
0021 <i>Instructional Leadership</i>	163,713	--	700	164,413
0023 <i>School Leadership</i>	413,664	--	--	413,664
0031 <i>Guidance, Counseling, & Evaluation Services</i>	192,991	--	--	192,991
0033 <i>Health Services</i>	100,757	--	--	100,757
0034 <i>Student Transportation</i>	167,705	--	--	167,705
0035 <i>Food Service</i>	23,865	--	526,196	550,061
0036 <i>Cocurricular/Extracurricular Activities</i>	681,660	--	71,779	753,439
0041 <i>General Administration</i>	470,774	--	--	470,774
0051 <i>Facilities Maintenance and Operations</i>	1,199,183	--	--	1,199,183
0052 <i>Security and Monitoring Services</i>	54,829	--	--	54,829
0053 <i>Data Processing Services</i>	115,636	--	--	115,636
0071 <i>Principal on Long-term Debt</i>	304,000	--	514,985	818,985
0072 <i>Interest on Long-term Debt</i>	27,004	--	626,799	653,803
0073 <i>Bond Issuance Costs and Fees</i>	--	280,034	37,370	317,404
0081 <i>Capital Outlay</i>	14,500	1,304,160	--	1,318,660
0099 <i>Other Intergovernmental Charges</i>	63,539	--	--	63,539
6030 <i>Total Expenditures</i>	<u>8,490,017</u>	<u>1,584,194</u>	<u>2,009,563</u>	<u>12,083,774</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	<u>1,681,439</u>	<u>(1,519,370)</u>	<u>141,901</u>	<u>303,970</u>
Other Financing Sources and (Uses):				
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	16,975,000	1,980,000	18,955,000
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	1,305,034	186,532	1,491,566
8949 <i>Other Uses</i>	--	--	(2,176,256)	(2,176,256)
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>--</u>	<u>18,280,034</u>	<u>(9,724)</u>	<u>18,270,310</u>
1200 <i>Net Change in Fund Balances</i>	<u>1,681,439</u>	<u>16,760,664</u>	<u>132,177</u>	<u>18,574,280</u>
0100 <i>Fund Balances - Beginning</i>	3,364,648	3	653,711	4,018,362
3000 <i>Fund Balances - Ending</i>	<u>\$ 5,046,087</u>	<u>\$ 16,760,667</u>	<u>\$ 785,888</u>	<u>\$ 22,592,642</u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018*

Net change in fund balances - total governmental funds \$ 18,574,280

Amounts reported for governmental activities in the Statement of Activities
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	1,324,571
The depreciation of capital assets used in governmental activities is not reported in the funds.	(907,778)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(5,130)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,691,241
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	304,000
The accretion of interest on capital appreciation bonds is not reported in the funds.	(1,874)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(18,955,000)
Bond premiums are reported in the funds but not in the SOA.	(1,482,431)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(91,862)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	888,162
Rounding difference	(1)

Change in net position of governmental activities - Statement of Activities \$ 2,338,179

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****AUGUST 31, 2018**

Data Control Codes		Private-purpose Trust Fund	Agency Fund
		Private-Purpose Trust Fund	Student Activity
ASSETS:			
1110	<i>Cash and Cash Equivalents</i>	\$ 361	\$ 117,717
1000	Total Assets	<u>361</u>	<u>117,717</u>
LIABILITIES:			
Current Liabilities:			
2190	<i>Due to Student Groups</i>	\$ --	\$ 117,717
2000	Total Liabilities	<u>--</u>	<u>117,717</u>
NET POSITION:			
3800	<i>Held in Trust</i>	361	--
3000	Total Net Position	<u>\$ 361</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Private- Purpose Trusts
Additions:	
Investment Income	\$ --
Contributions	4,030
Total Additions	<u>4,030</u>
Deductions:	
Scholarship Awards	5,135
Refunds of Contributions	--
Administrative Expenses	--
Total Deductions	<u>5,135</u>
Change in Net Position	(1,105)
Net Position-Beginning of the Year	1,466
Net Position-End of the Year	<u>\$ 361</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, 2018

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.

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, 2018

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

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

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and 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	\$ 135,283	\$ 40,542	\$ 175,825
Allowance for Uncollectibles	(43,151)	(12,932)	(56,083)
Net Taxes	<u>\$ 92,132</u>	<u>\$ 27,610</u>	<u>\$ 119,742</u>

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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

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

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

c. Capital Assets

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

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

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

d. Deferred Outflows and Inflows of Resources

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

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

e. Receivable and Payable Balances

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

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

f. Compensated Absences

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

LONDON INDEPENDENT SCHOOL DISTRICT
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g. Interfund Activity

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

h. Use of Estimates

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

i. Data Control Codes

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

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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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.

m. Negative Operating Grants and Contributions - Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities.

4. Pensions

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

5. New Accounting Standards Adopted

In fiscal year 2018, the District adopted a new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 75, Accounting and financial reporting for Post employment Benefit Plans Other than Pension Plans

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities.

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This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 75.

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

	<u>Budget</u>	<u>Actual Amount Spent</u>	<u>Variance</u>
Capital Projects			
73 Bond Issuance Cost	195,000	280,034	(85,034)

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.

1. Cash Deposits:

At August 31, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$613,279 and the bank balance was \$703,825. The District's cash deposits at August 31, 2018 and during the year ended August 31, 2018, 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.

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

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

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Credit Rate</u>
Lone Star Investment Pool	N/A	\$ 22,240,344	AAAm
Total Investments included with Cash		<u>\$ 22,240,344</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.

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.

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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.

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 and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

D. Capital Assets

Capital asset activity for the year ended August 31, 2018, 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		1,304,160	--	1,304,160
Total capital assets not being depreciated	392,251	1,304,160	--	1,696,411
<i>Capital assets being depreciated:</i>				
Buildings and improvements	23,936,364	11,622	--	23,947,986
Equipment	416,270	8,789	--	425,059
Vehicles	1,059,933	--	--	1,059,933
Total capital assets being depreciated	25,412,567	20,411	--	25,432,978

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Less accumulated depreciation for:				
Buildings and improvements	(4,471,746)	(810,124)	--	(5,281,870)
Equipment	(215,451)	(35,164)	--	(250,615)
Vehicles	(633,856)	(62,490)	--	(696,346)
Total accumulated depreciation	(5,321,053)	(907,778)	--	(6,228,831)
Total capital assets being depreciated, net	20,091,514	(887,367)	--	19,204,147
Governmental activities capital assets, net	\$ 20,483,765	\$ 416,793	\$ --	\$ 20,900,558

Depreciation was charged to functions as follows:

Instruction	\$ 431,626
Instructional Resources and Media Services	13,620
Curriculum and Staff Development	1,510
Instructional Leadership	15,755
School Leadership	38,465
Guidance, Counseling, & Evaluation Services	17,927
Health Services	9,620
Student Transportation	62,490
Food Services	53,068
Extracurricular Activities	76,988
General Administration	45,155
Plant Maintenance and Operations	124,303
Security and Monitoring Services	5,345
Data Processing Services	11,906
	<u>\$ 907,778</u>

E. 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, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
2008 Unlimited Tax					
School Building Bonds 3.5%	2,425,000		2,425,000	--	--
2014 Unlimited Tax					
School Building Bonds 4.0%	9,749,953		144,985	9,604,968	142,216
2015 Unlimited Tax					
School Building Bonds 4.0%	5,220,000		85,000	5,135,000	245,000
2018 Unlimited Tax School Building and Refunding Bonds 4.0%-5.0%		18,955,000		18,955,000	605,000
Total Bonds	<u>17,394,953</u>	<u>18,955,000</u>	<u>2,654,985</u>	<u>33,694,968</u>	<u>992,216</u>

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Limited Maintenance Tax Notes 2012 2.04%	290,000	144,000	146,000	146,000
Limited Maintenance Tax Notes 2013 .524%	66,000	66,000	--	--
Limited Maintenance Tax Notes 2015 2.0%	823,000	94,000	729,000	97,000
Total Notes	<u>1,179,000</u>	<u>--</u>	<u>304,000</u>	<u>875,000</u>
Accretion	143,111	1,874	144,985	
Premium	<u>190,029</u>	<u>1,455,310</u>	<u>9,135</u>	<u>1,636,204</u>
Total governmental activities	\$ <u>18,907,093</u>	\$ <u>20,412,184</u>	\$ <u>2,968,120</u>	\$ <u>36,351,157</u>
Due Within One Year			(1,235,216)	
Due in More Than One Year			\$ <u>35,115,941</u>	
Net Pension Liability	\$ <u>1,496,363</u>	\$ <u>148,127</u>	\$ <u>1,348,236</u>	
Net OPEB Liability	\$ <u>2,522,515</u>	\$ <u>2,522,515</u>	\$ <u>2,522,515</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	
Claims and judgments	Governmental	

2. Debt Service Requirements

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

Year Ending August 31,	Governmental Activities - Bonds		
	Principal	Interest	Total
2019	\$ 992,216	\$ 1,587,836	\$ 2,580,052
2020	1,001,205	1,428,189	2,429,394
2021	1,004,222	1,402,922	2,407,144
2022	1,008,196	1,376,598	2,384,794
2023	1,025,686	1,345,258	2,370,944
2024-2028	5,298,443	5,995,327	11,293,770
2029-2033	5,435,000	4,764,795	10,199,795
2034-2038	5,870,000	3,651,992	9,521,992
2039-2043	7,040,000	2,286,538	9,326,538
2044-2048	5,020,000	506,555	5,526,555
Totals	\$ <u>33,694,968</u>	\$ <u>24,346,010</u>	\$ <u>58,040,978</u>

Year Ending August 31,	Governmental Activities - Notes		
	Principal	Interest	Total
2019	\$ 243,000	\$ 21,203	\$ 264,203
2020	99,000	15,800	114,800
2021	101,000	13,325	114,325
2022	104,000	10,800	114,800
2023	107,000	8,200	115,200
2024-2028	221,000	8,325	229,325
Totals	\$ <u>875,000</u>	\$ <u>77,653</u>	\$ <u>952,653</u>

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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, 2015, 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.

Bond Issue	
2008 Unlimited Tax School building Bonds	\$ 2,140,000

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.

F. 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 2018, 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.

G. 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.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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3. Benefits Provided

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

4. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates		
	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 Employer Contributions	\$ 150,486	
District's 2018 Member Contributions	\$ 407,253	
NECE 2017 On-Behalf Contributions to District	\$ 282,421	

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.

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- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

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

5. Actuarial Assumptions

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Real Rate of Return As of August 31, 2017			
Asset Class	Target Allocation*	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns **
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

** The expected contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 2,272,860	\$ 1,348,236	\$ 578,337

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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

At August 31, 2018, the District reported a liability of \$1,348,236 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1,348,236
State's proportionate share that is associated with District	<u>2,761,108</u>
Total	<u>\$ 4,109,344</u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0042166%. which was an increase (decrease) of 0.0000000% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$210,606 and revenue of \$210,606 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 19,725	\$ 72,709
Changes in actuarial assumptions	61,414	35,158
Difference between projected and actual investment earnings	--	98,257
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	418,928	71
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	<u>150,486</u>	<u>--</u>
Total	<u>\$ 650,553</u>	<u>\$ 206,195</u>

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

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

Year Ended August 31	Pension Expense Amount
2019	\$ 55,260
2020	\$ 141,322
2021	\$ 48,647
2022	\$ 20,605
2023	\$ 19,387
Thereafter	\$ 8,653

H. 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#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

<u>Net OPEB Liability:</u>	<u>Total</u>
Total OPEB liability	\$ 43,885,784,621
Less: plan fiduciary net position	<u>399,535,986</u>
Net OPEB liability	<u>\$ 43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.91%

3. Benefits Provided

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

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

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

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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

* or surviving spouse

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 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. 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		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (NECE) - State	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%

Current fiscal year District contributions	\$	42,276
Current fiscal year Member contributions	\$	34,393
2017 measurement year NECE contributions	\$	49,925

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

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

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

5. Actuarial Assumptions

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

The actuarial valuation of 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 mortality, and most of the economic assumptions are identical to those adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate *	3.42% *
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.
Payroll Growth Rate	2.50%
Projected Salary Increases **	3.50% to 9.50% **
Healthcare Trend Rates ***	4.50% to 12.00% ***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad Hoc Post-Employment Benefit Changes	None

*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

**Includes inflation at 2.50%

***Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

6. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, there are no investments and 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 not to be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact on 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 (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	\$ 2,977,194	\$ 2,522,515	\$ 2,157,056

8. Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 2,100,246	\$ 2,522,515	\$ 3,076,585

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

At August 31, 2018, the District reported a liability of \$2,522,515 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	\$ 2,522,515
State's proportionate share that is associated with the District	\$ 3,547,236
Total	\$ 6,069,751

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

At August 31, 2017 the District's proportion of the collective net OPEB liability was 0.0058007.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

10. Changes Since the Prior Actuarial Valuation.

The following were changes to the actuarial assumptions or other inputs that affected the measurement of the total OPEB liability since the prior measurement period:

- a. Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
- b. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
- c. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered total OPEB liability.

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac tax." In this valuation the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- a. 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- b. Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- c. There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis-point addition to the long-term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provision or applicable law.

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$(1,397,374) and revenue of \$(1,397,374) for support provided by the State.

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

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ --	\$ 52,659
Changes in actuarial assumptions	--	1,002,513
Differences between projected and actual investment earnings	383	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	12	--
Contributions paid to TRS subsequent to the measurement date	42,276	
	<u>\$ 42,671</u>	<u>1,055,172</u>

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

Year ended August 31,	Amount
2019	\$ (139,179)
2020	\$ (139,179)
2021	\$ (139,179)
2022	\$ (139,179)
2023	\$ (139,275)
Thereafter	\$ (358,788)

I. Employee Health Care Coverage

During the year ended August 31, 2018, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$255 per pay period per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

J. Commitments and Contingencies

1. Contingencies

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

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

K. Prior Period Adjustment

During fiscal year 2018, the District Adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled \$4,423,178 which resulted in a restated beginning net position balance of \$484,712.

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, 2018

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 3,932,000	\$ 4,119,000	\$ 4,261,739	\$ 142,739
5800	State Program Revenues	4,221,383	4,963,733	5,847,818	884,085
5900	Federal Program Revenues	10,000	10,000	61,899	51,899
5020	Total Revenues	8,163,383	9,092,733	10,171,456	1,078,723
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	4,092,664	4,371,964	4,344,902	27,062
0012	Instructional Resources and Media Services	129,503	139,003	137,042	1,961
0013	Curriculum and Staff Development	15,000	18,500	14,253	4,247
	Total Instruction & Instr. Related Services	4,237,167	4,529,467	4,496,197	33,270
	Instructional and School Leadership:				
0021	Instructional Leadership	167,632	168,532	163,713	4,819
0023	School Leadership	421,554	422,154	413,664	8,490
	Total Instructional & School Leadership	589,186	590,686	577,377	13,309
	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	196,347	196,497	192,991	3,506
0033	Health Services	79,243	103,243	100,757	2,486
0034	Student (Pupil) Transportation	221,535	198,835	167,705	31,130
0035	Food Services	20,277	24,277	23,865	412
0036	Cocurricular/Extracurricular Activities	612,960	682,060	681,660	400
	Total Support Services - Student (Pupil)	1,130,362	1,204,912	1,166,978	37,934
	Administrative Support Services:				
0041	General Administration	451,237	504,737	470,774	33,963
	Total Administrative Support Services	451,237	504,737	470,774	33,963
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	1,123,010	1,316,310	1,199,183	117,127
0052	Security and Monitoring Services	50,165	57,165	54,829	2,336
0053	Data Processing Services	124,406	130,906	115,636	15,270
	Total Support Services - Nonstudent Based	1,297,581	1,504,381	1,369,648	134,733
	Debt Service:				
0071	Principal on Long-Term Debt	--	293,000	304,000	(11,000)
0072	Interest on Long-Term Debt	334,500	40,500	27,004	13,496
0073	Bond Issuance Costs and Fees	--	1,000	--	1,000
	Total Debt Service	334,500	334,500	331,004	3,496
	Capital Outlay:				
0081	Capital Outlay	20,000	317,200	14,500	302,700
	Total Capital Outlay	20,000	317,200	14,500	302,700
0099	Other Intergovernmental Charges	61,500	65,000	63,539	1,461
	Total Intergovernmental Charges	61,500	65,000	63,539	1,461
6030	Total Expenditures	8,121,533	9,050,883	8,490,017	560,866
1100	Excess (Deficiency) of Revenues Over (Under)				

LONDON INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2018

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>41,850</u>	<u>41,850</u>	<u>1,681,439</u>	<u>1,639,589</u>
	Other Financing Sources (Uses):				
8911	Transfers Out	<u>--</u>	<u>(41,850)</u>	<u>--</u>	<u>41,850</u>
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>(41,850)</u>	<u>--</u>	<u>41,850</u>
1200	Net Change in Fund Balance	<u>41,850</u>	<u>--</u>	<u>1,681,439</u>	<u>1,681,439</u>
0100	Fund Balance - Beginning	<u>3,364,648</u>	<u>3,364,648</u>	<u>3,364,648</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 3,406,498</u>	<u>\$ 3,364,648</u>	<u>\$ 5,046,087</u>	<u>\$ 1,681,439</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			
	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0042165835%	0.0039598355%	0.0014066100%	0.2042600000%
District's proportionate share of the net pension liability (asset)	\$ 1,348,236	\$ 1,496,363	\$ 1,437,312	\$ 545,607
State's proportionate share of the net pension liability (asset) associated with the District	2,761,108	3,090,513	2,671,442	2,343,238
Total	<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	\$ 5,184,244	\$ 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	26.01%	32.41%	34.54%	14.00%
Plan fiduciary net position as a percentage of the total pension liability	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			
	2018	2017	2016	2015
Contractually required contribution	\$ 150,486	\$ 145,832	\$ 125,814	\$ 120,398
Contributions in relation to the contractually required contribution	(150,486)	(145,832)	(125,814)	(120,398)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 5,291,181	\$ 5,184,244	\$ 4,617,337	\$ 4,161,771
Contributions as a percentage of covered-employee payroll	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 August <u>2017</u>
District's proportion of the collective net OPEB liability	0.0058071840%
District's proportionate share of the collective net OPEB liability	\$ 2,522,515
State proportionate share of the collective net OPEB liability associated with the District	\$ 4,175,922
Total	<u>\$ 6,698,437</u>
District's covered-employee payroll	\$ 5,184,244
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	48.66%
Plan fiduciary net position as a percentage of the total OPEB liability	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 August 31, <u>2018</u>
Statutorily or contractually required District contribution	\$ 42,276
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	<u>(42,276)</u>
Contribution deficiency (excess)	<u>\$ 84,552</u>
District's covered-employee payroll	\$ 5,291,183
Contributions as a percentage of covered-employee payroll	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, 2018

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.

*Combining Statements and Budget Comparisons
as Supplementary Information*

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

LONDON INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2018

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 130,160	\$ 624,703	\$ 754,863
1225 <i>Taxes Receivable, Net</i>	--	27,610	27,610
1240 <i>Due from Other Governments</i>	35,551	--	35,551
1290 <i>Other Receivables</i>	18,131	--	18,131
1000 <i>Total Assets</i>	<u>183,842</u>	<u>652,313</u>	<u>836,155</u>
LIABILITIES:			
<i>Current Liabilities:</i>			
2110 <i>Accounts Payable</i>	\$ 2,601	\$ --	\$ 2,601
2160 <i>Accrued Wages Payable</i>	3,861	--	3,861
2180 <i>Due to Other Governments</i>	8,278	--	8,278
2200 <i>Accrued Expenditures</i>	340	--	340
2300 <i>Unearned Revenue</i>	7,576	--	7,576
2000 <i>Total Liabilities</i>	<u>22,656</u>	<u>--</u>	<u>22,656</u>
DEFERRED INFLOWS OF RESOURCES:			
<i>Deferred Revenue</i>	--	27,611	27,611
2600 <i>Total Deferred Inflows of Resources</i>	<u>--</u>	<u>27,611</u>	<u>27,611</u>
FUND BALANCES:			
<i>Restricted Fund Balances:</i>			
3450 <i>Federal/State Funds Grant Restrictions</i>	57,296	--	57,296
3480 <i>Retirement of Long-Term Debt</i>	--	624,702	624,702
3490 <i>Other Restrictions of Fund Balance</i>	103,890	--	103,890
3000 <i>Total Fund Balances</i>	<u>161,186</u>	<u>624,702</u>	<u>785,888</u>
Total Liabilities, Deferred Inflow 4000 of Resources and Fund Balances	<u>\$ 183,842</u>	<u>\$ 652,313</u>	<u>\$ 836,155</u>

LONDON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 517,812	\$ 1,231,591	\$ 1,749,403
5800 <i>State Program Revenues</i>	20,437	--	20,437
5900 <i>Federal Program Revenues</i>	381,624	--	381,624
5020 Total Revenues	<u>919,873</u>	<u>1,231,591</u>	<u>2,151,464</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	231,734	--	231,734
0021 <i>Instructional Leadership</i>	700	--	700
0035 <i>Food Service</i>	526,196	--	526,196
0036 <i>Cocurricular/Extracurricular Activities</i>	71,779	--	71,779
0071 <i>Principal on Long-term Debt</i>	--	514,985	514,985
0072 <i>Interest on Long-term Debt</i>	--	626,799	626,799
0073 <i>Bond Issuance Costs and Fees</i>	--	37,370	37,370
6030 Total Expenditures	<u>830,409</u>	<u>1,179,154</u>	<u>2,009,563</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>89,464</u>	<u>52,437</u>	<u>141,901</u>
Other Financing Sources and (Uses):			
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	1,980,000	1,980,000
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	186,532	186,532
8949 <i>Other Uses</i>	--	(2,176,256)	(2,176,256)
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>(9,724)</u>	<u>(9,724)</u>
1200 Net Change in Fund Balances	<u>89,464</u>	<u>42,713</u>	<u>132,177</u>
0100 Fund Balances - Beginning	<u>71,722</u>	<u>581,989</u>	<u>653,711</u>
3000 Fund Balances - Ending	<u>\$ 161,186</u>	<u>\$ 624,702</u>	<u>\$ 785,888</u>

LONDON INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2018

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	240 National School Breakfast/Lunch Program
ASSETS:			
1110 Cash and Cash Equivalents	\$ 7,977	\$ 4,202	\$ 27,412
1240 Due from Other Governments	--	--	14,354
1290 Other Receivables	--	--	18,131
1000 Total Assets	<u>7,977</u>	<u>4,202</u>	<u>59,897</u>
LIABILITIES:			
Current Liabilities:			
2110 Accounts Payable	\$ --	\$ --	\$ 2,601
2160 Accrued Wages Payable	--	3,861	--
2180 Due to Other Governments	7,978	--	--
2200 Accrued Expenditures	(1)	341	--
2300 Unearned Revenue	--	--	--
2000 Total Liabilities	<u>7,977</u>	<u>4,202</u>	<u>2,601</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450 Federal/State Funds Grant Restrictions	--	--	57,296
3490 Other Restrictions of Fund Balance	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>57,296</u>
4000 Total Liabilities and Fund Balances	<u>\$ 7,977</u>	<u>\$ 4,202</u>	<u>\$ 59,897</u>

255 ESEA Title II Training & Recruiting	289 Texas Hurricane Emergency Impact Aid	410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ 300	\$ (21,197)	\$ 7,576	\$ 103,890	\$ 130,160
--	21,197	--	--	35,551
--	--	--	--	18,131
<u>300</u>	<u>--</u>	<u>7,576</u>	<u>103,890</u>	<u>183,842</u>
\$ --	\$ --	\$ --	\$ --	\$ 2,601
--	--	--	--	3,861
300	--	--	--	8,278
--	--	--	--	340
--	--	7,576	--	7,576
<u>300</u>	<u>--</u>	<u>7,576</u>	<u>--</u>	<u>22,656</u>
--	--	--	--	57,296
--	--	--	103,890	103,890
--	--	--	103,890	161,186
<u>300</u>	<u>--</u>	<u>7,576</u>	<u>103,890</u>	<u>183,842</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, 2018

Data Control Codes	204 ESEA Title IV SDFSC	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--	--
5900 <i>Federal Program Revenues</i>	6,305	46,948	126,501	2,751
5020 <i>Total Revenues</i>	<u>6,305</u>	<u>46,948</u>	<u>126,501</u>	<u>2,751</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	6,305	46,248	126,501	2,751
0021 <i>Instructional Leadership</i>	--	700	--	--
0035 <i>Food Service</i>	--	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
6030 <i>Total Expenditures</i>	<u>6,305</u>	<u>46,948</u>	<u>126,501</u>	<u>2,751</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	--	--	--	--
1200 <i>Net Change in Fund Balances</i>	--	--	--	--
0100 <i>Fund Balances - Beginning</i>	--	--	--	--
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	289 Texas Hurricane Emergency Impact Aid	410 State Textbook Fund
\$ 385,993	\$ --	\$ --	\$ --	\$ --
1,814	--	--	--	17,093
167,813	1,178	8,931	21,197	--
<u>555,620</u>	<u>1,178</u>	<u>8,931</u>	<u>21,197</u>	<u>17,093</u>
--	1,178	8,931	21,197	17,093
--	--	--	--	--
526,196	--	--	--	--
--	--	--	--	--
<u>526,196</u>	<u>1,178</u>	<u>8,931</u>	<u>21,197</u>	<u>17,093</u>
29,424	--	--	--	--
<u>29,424</u>	--	--	--	--
27,872	--	--	--	--
<u>\$ 57,296</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</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, 2018

Data Control Codes	427 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 131,819	\$ 517,812
5800 <i>State Program Revenues</i>	1,530	--	20,437
5900 <i>Federal Program Revenues</i>	--	--	381,624
5020 <i>Total Revenues</i>	<u>1,530</u>	<u>131,819</u>	<u>919,873</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	1,530	--	231,734
0021 <i>Instructional Leadership</i>	--	--	700
0035 <i>Food Service</i>	--	--	526,196
0036 <i>Cocurricular/Extracurricular Activities</i>	--	71,779	71,779
6030 <i>Total Expenditures</i>	<u>1,530</u>	<u>71,779</u>	<u>830,409</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	--	60,040	89,464
1200 <i>Net Change in Fund Balances</i>	--	60,040	89,464
0100 <i>Fund Balances - Beginning</i>	--	43,850	71,722
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ 103,890</u>	<u>\$ 161,186</u>

LONDON INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-5

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		1	2	3 Variance Positive (Negative)
		Budget	Actual	
REVENUES:				
5700	Local and Intermediate Sources	\$ 53,000	\$ 64,824	\$ 11,824
5020	Total Revenues	53,000	64,824	11,824
EXPENDITURES:				
Debt Service:				
0072	Interest on Long-Term Debt	8,000	--	8,000
0073	Bond Issuance Costs and Fees	195,000	280,034	(85,034)
	Total Debt Service	203,000	280,034	(77,034)
Capital Outlay:				
0081	Capital Outlay	18,350,000	1,304,160	17,045,840
	Total Capital Outlay	18,350,000	1,304,160	17,045,840
6030	Total Expenditures	18,553,000	1,584,194	16,968,806
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(18,500,000)	(1,519,370)	16,980,630
Other Financing Sources (Uses):				
7911	Capital-Related Debt Issued (Regular Bonds)	17,000,000	16,975,000	(25,000)
7916	Premium or Discount on Issuance of Bonds	1,500,000	1,305,034	(194,966)
7080	Total Other Financing Sources and (Uses)	18,500,000	18,280,034	(219,966)
1200	Net Change in Fund Balance	--	16,760,664	16,760,664
0100	Fund Balance - Beginning	3	3	--
3000	Fund Balance - Ending	\$ 3	\$ 16,760,667	\$ 16,760,664

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, 2018**

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2009 and Prior Years	\$	Various	\$	Various	\$	Various
2010		.88		.3304		231,728,167
2011		.90		.3495		221,816,986
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 (School Year Under Audit)		1.04		.3092		389,640,925

1000 Totals

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

10 Beginning Balance 9/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/18
\$ 13,356	\$ --	\$ (1,838)	\$ 1,838	\$ (4,732)	\$ 8,625
5,789	--	1,379	518	--	3,892
4,070	--	1,543	599	--	1,928
8,841	--	3,202	1,291	--	4,348
10,446	--	6,920	2,390	4,859	5,995
34,280	--	18,524	5,617	13,625	23,764
34,161	--	23,756	10,806	25,342	24,940
24,468	--	(4,006)	(1,618)	(11,616)	18,476
77,958	--	63,262	25,181	37,135	26,650
--	5,132,340	3,852,421	1,144,015	(78,697)	57,207
<u>\$ 213,369</u>	<u>\$ 5,132,340</u>	<u>\$ 3,965,162</u>	<u>\$ 1,190,638</u>	<u>\$ (14,084)</u>	<u>\$ 175,825</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

LONDON INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT J-2

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	<i>Local and Intermediate Sources</i>	\$ 393,500	\$ 385,993	\$ (7,507)
5800	<i>State Program Revenues</i>	1,700	1,814	114
5900	<i>Federal Program Revenues</i>	93,900	167,813	73,913
5020	Total Revenues	<u>489,100</u>	<u>555,620</u>	<u>66,520</u>
	EXPENDITURES:			
	Current:			
	Support Services - Student (Pupil):			
0035	<i>Food Services</i>	<u>530,950</u>	<u>526,196</u>	<u>4,754</u>
	Total Support Services - Student (Pupil)	<u>530,950</u>	<u>526,196</u>	<u>4,754</u>
6030	Total Expenditures	<u>530,950</u>	<u>526,196</u>	<u>4,754</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>(41,850)</u>	<u>29,424</u>	<u>71,274</u>
	Other Financing Sources (Uses):			
7915	<i>Transfers In</i>	<u>41,850</u>	<u>--</u>	<u>(41,850)</u>
7080	Total Other Financing Sources and (Uses)	<u>41,850</u>	<u>--</u>	<u>(41,850)</u>
1200	Net Change in Fund Balance	<u>--</u>	<u>29,424</u>	<u>29,424</u>
0100	Fund Balance - Beginning	<u>27,872</u>	<u>27,872</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 27,872</u>	<u>\$ 57,296</u>	<u>\$ 29,424</u>

LONDON INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		1	2	3 Variance Positive (Negative)
		Budget	Actual	
REVENUES:				
5700	Local and Intermediate Sources	\$ 1,214,000	\$ 1,231,591	\$ 17,591
5020	Total Revenues	1,214,000	1,231,591	17,591
EXPENDITURES:				
Debt Service:				
0071	Principal on Long-Term Debt	400,000	514,985	(114,985)
0072	Interest on Long-Term Debt	813,000	626,799	186,201
0073	Bond Issuance Costs and Fees	41,000	37,370	3,630
	Total Debt Service	1,254,000	1,179,154	74,846
6030	Total Expenditures	1,254,000	1,179,154	74,846
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(40,000)	52,437	92,437
Other Financing Sources (Uses):				
7911	Capital-Related Debt Issued (Regular Bonds)	2,000,000	1,980,000	(20,000)
7916	Premium or Discount on Issuance of Bonds	220,000	186,532	(33,468)
8949	Other Uses	(2,180,000)	(2,176,256)	3,744
7080	Total Other Financing Sources and (Uses)	40,000	(9,724)	(49,724)
1200	Net Change in Fund Balance	--	42,713	42,713
0100	Fund Balance - Beginning	581,989	581,989	--
3000	Fund Balance - Ending	\$ 581,989	\$ 624,702	\$ 42,713



GOWLAND, STREATLY, MORALES & COMPANY, PLLC

Certified Public Accountants

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Corpus Christi, TX 78413
Telephone: (361) 993-1000
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Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

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

Members of the Board of Trustees:

We have audited, in accordance with 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, 2018, 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 December 19, 2018.

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.

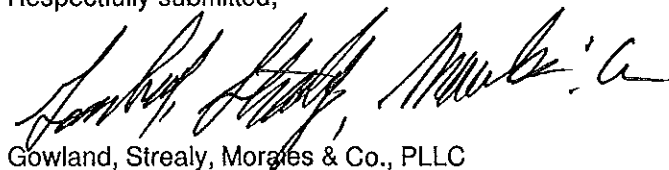
Compliance and Other Matters

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,



Gowland, Strealy, Morales & Co., PLLC

Corpus Christi, Texas
December 19, 2018

LONDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial
statements noted? Yes X No

B. Financial Statement Findings

NONE

LONDON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018

<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, 2018

NONE REQUIRED - N/A

LONDON INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2018**

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 144,985
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 1,348,236
SF13	Pension Expense (object 6147) at fiscal year-end.	\$

In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."