LONDON INDEPENDENT SCHOOL DISTRICT

Annual Financial Report

For the Year Ended August 31, 2019

GOWLAND, STREALY, MORALES & COMPANY, PLLC

Certified Public Accountants

London Independent School District
Annual Financial Report
For The Year Ended August 31, 2019

TABLE OF CONTENTS

London Independent School District
Annual Financial Report
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TABLE OF CONTENTS

Introductory Section

CERTIFICATE OF BOARD

London Independent School District	Nueces	178906
Name of School District	County	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, 2019, at a meeting of the board of trustees of such school district on the ____ day of ______________, _______.

______________________________ Signature of Board Secretary

______________________________ Signature of Board President

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

Financial Section

GOWLAND, STREALY, 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, 2019, 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, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the London Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2020 on our consideration of London Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering London Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Gowland, Strealy, Morales & Co., PLLC

Corpus Christi, Texas
January 9, 2020

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, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

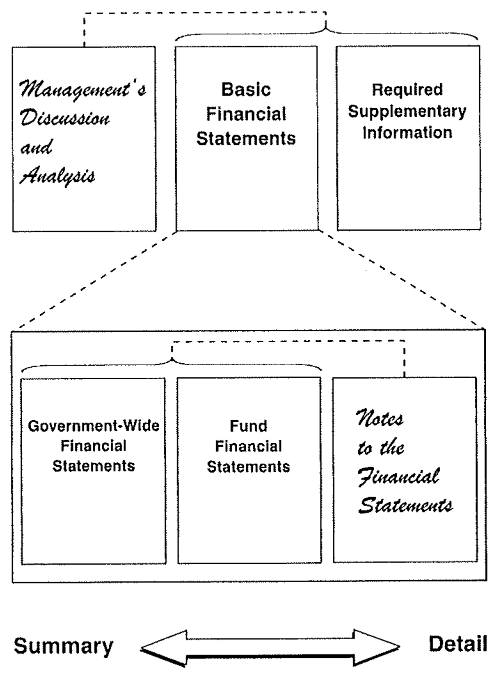
- The District's total combined net position was $6,590,333 at August 31, 2019.
- During the year, the District's expenses were $3,767,444 lower than the $16,647,005 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was $2,835,126 higher than last year.
- The general fund reported a fund balance this year of $8,346,520 an increase of $3,300,433.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

Figure A-2 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.

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

		Fund Statements		
Type of 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 • Statement of activities	• Balance sheet • Statement of revenues, expenditures & changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of fiduciary net assets • 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

Government-wide Statements

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

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

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.

- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's total net position was approximately 6,590,333, August 31, 2019. (See Table A-1).

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

	Governmental Activities 2019	Governmental Activities 2018	Total Change 2019-2018
Current and Other Assets	$ 18,447,043	$ 23,899,356	$ (5,452,313)
Capital and Non-Current	31,342,742	20,900,558	10,442,184
Total Assets	49,789,785	44,799,914	4,989,871
Deferred Outflows of Resources	1,938,477	693,224	1,245,253
Current Liabilities	2,563,080	2,422,188	140,892
Noncurrent Liabilities	41,462,338	38,986,692	2,475,646
Total Liabilities	44,025,418	41,408,880	2,616,538
Deferred Inflows Related to Pensions	1,112,511	1,261,367	(148,856)
Net Assets Invested in Capital Assets net of Related Debt	5,348,131	3,567,998	1,780,133
Restricted	948,683	785,888	162,795
Unrestricted	293,519	(1,530,995)	1,824,514
Total Net Position	$ 6,590,333	$ 2,822,891	$ 3,767,442

Net position Invested in Capital Assets net of related Debt reflects the book value of the District's capital assets at $5,348,131 less related debt. The District's restricted net position includes state and federal programs, debt service, and campus activities. The 293,519 of unrestricted net assets represents resources available for investments, capital projects and programs.

Changes in net position. The District's total revenues were $16,647,005. Of that, 55 percent of the District's revenue comes from taxes, 32 percent comes from state aid not restricted to specific programs, and 6 percent comes from operating grants, while only 4 percent relates to charges for services.

The total cost of all programs and services was $12,879,561; 62 percent of these costs are for direct student services, which include: instruction, instructional resources, guidance and counseling, food services, health services, transportation, and co-curricular activities.

Governmental Activities

- Total property tax rate decreased from $1.3492/100 to $1.3035/100, which includes $.3784/100 for debt service on bonds, and $.9251/100 maintenance and operations.
- Certified property values totaled $713,333,797, a 83.07% increase from the prior year value of $389,640,925, the net result of continued steady increase in residential growth, as well as over $300 million from a new windfarm.

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

	Governmental Activities 2019	Governmental Activities 2018	Total Change 2019-2018
Program Revenues:			
Charges for Services	$ 707,050	$ 648,253	$ 58,797
Operating Grants and Contributions	940,096	814,906	125,190
General Revenues:			-
Property Taxes	9,084,442	5,218,383	3,866,059
State Aid – Formula	5,346,863	5,496,872	(150,009)
Investment Earnings	538,876	164,142	374,734
Other	29,678	40,058	(10,380)
Total Revenues	16,647,005	12,382,614	4,264,391
Instruction	5,522,845	4,505,619	1,017,226
Instructional Resources and Media Services	171,050	142,175	28,875
Curriculum Dev. And Instructional Staff Dev.	12,902	15,763	(2,861)
Instructional Leadership	208,374	164,464	43,910
School Leadership	551,323	401,526	149,797
Guidance, Counseling and Evaluation Services	275,469	187,133	88,336
Health Services	120,936	100,418	20,518
Student (Pupil) Transportation	327,002	190,360	136,642
Food Services	648,505	553,965	94,540
Curricular/Extracurricular	908,546	803,657	104,889
General Administration	507,204	471,364	35,840
Plant Maintenance & Oper.	1,704,406	1,297,566	406,840
Security and Monitoring Services	158,935	55,792	103,143
Data Processing Services	96,920	124,270	(27,350)
Community Services	-	-	-
Bond Issuance Costs and Fees	33,500	317,404	(283,904)
Interest on Long-term Debt	1,401,019	646,542	754,477
Capital Outlay	133,533	2,878	130,655
Other Intergovernmental Charges	97,092	63,539	33,553
Total Expenses	12,879,561	10,044,435	2,835,126
Change in Net Position	3,767,444	2,338,179	1,429,265
Net Position Beginning	2,822,889	4,907,888	(2,084,999)
Prior Period Adjustment		(4,423,178)	4,423,178
Net Position Beginning, as Restated	2,822,889	484,710	2,338,179
Net Position Ending	$ 6,590,333	$ 2,822,889	$ (655,734)

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 $12,879,561.
- However, the amount that our taxpayers paid for these activities through property taxes was only $9,084,442.
- Some of the cost was paid by those who directly benefited from the programs $707,050, or
- By grants and contributions $940,096.

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

	Total Cost of Services 2019	Total Cost of Services 2018	% Change	Net cost of Services 2019	Net cost of Services 2018	% Change
Instruction	$ 5,522,845	$ 4,505,619	22.58%	$ 4,885,541	$ 3,939,035	24.03%
Plant Maintenance & Operations	1,704,406	1,297,566	31.35%	1,581,388	1,253,592	26.15%
General Administration	507,204	471,364	7.60%	477,959	441,203	8.33%
Student(Pupil) Transportation	327,002	190,360	71.78%	310,622	174,720	77.78%
Food Service	648,505	553,965	17.07%	41,955	20,728	102.41%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

All revenues from governmental fund types totaled $16,465,740, an increase of 33% from the preceding year. Local revenues increased as a result of increase in local property tax values and due to the new wind farm on the tax rolls. State funds have increased due to an increase in student enrollment for the current year, and accrual for the first part of the new school year. The district is classified as a Chapter 41 district, but is not subject to recapture of excess revenue.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget nine times. Actual expenditures were $1,386,528 below final budget amounts, primarily the result of lower than budgeted expenditures at year end for facilities acquisition/renovation and bus purchases in progress in the general fund, and also some savings in supplies expenditures district-wide. Unspent funds at year end will be re-encumbered to spend in 19-20 for those items not complete at August 31.

Total revenues were $485,352 above the final budgeted amount as a result of higher than budgeted state aid, due to increases from HB3 and due to accrual for next year state revenue at the beginning of the school year because of increasing student enrollment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018-19, the District had invested $38,476,441 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 2019	Governmental Activities 2018	Total Change 2019-2018
Land	$ 392,252	$ 392,252	$ -
Buildings and Improvements	24,634,225	23,947,985	686,240
Vehicles	1,067,103	1,059,933	7,170
Furniture and Equipment	432,129	425,059	7,070
Construction in Progress	11,950,732	1,304,160	10,646,572
Totals at historical cost	38,476,441	27,129,389	11,347,052
			-
Total accumulated depreciation	7,133,699	6,228,832	904,867
Net capital assets	$ 31,342,742	$ 20,900,557	$ 10,442,185

Long Term Debt

The District has $32,702,752 in bonds payable, issued 2014, 2015 and 2018 for the construction of Phase 1, Phase 2 and Phase 3 of a new middle school/high school building, including gymnasium, cafetorium, 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. In 2012, 2013, 2015 and 2019 the District issued Maintenance Tax Notes for building renovations, football stadium, portable building acquisitions and buses, and kitchen/band hall/gym equipment, which have an outstanding balance of $1,632,000. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

	Governmental Activities 2018	Governmental Activities 2018	Total Percentage Change 2019-2018
Bonds payable	$ 32,702,752	$ 33,694,968	-2.9%
Maintenance Tax Notes	1,632,000	875,000	86.5%
Premium	1,573,169	1,636,204	-3.9%
Accretion payable	0	144,985	-100.0%
Total bonds & leases payable	$ 35,907,921	$ 36,351,157	-1.2%

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 increase by 4.2% in the 2019-20 budget from $9,750 this year to $10,174, mainly due to increases staff salaries, bus purchases and major HVAC repairs in the general fund. The District's 2019-20 refined average daily attendance is expected to increase by 9.5% from 1,037 to 1,135.
- Total tax rate for 2019-20 will increase by about 4.5 cents to $1.3475/100. M&O tax rate will increase by about 3.5 cents to $.9600/100 as a result of a large decrease in state aid due to the inclusion of the wind farm values in the state aid calculations for 19-20. There is a one-year lag for local tax values to show up in state values. The I&S rate will increase about 1 cent to $.3875/100 to pay outstanding bonds.
- 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 1.80% and 2.40% for most of the fiscal year.
- Property insurance rates are remaining fairly steady for now. Catastrophic hurricane losses have occurred in Texas and the US in 2017 and 2019, 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 March 2020.
- Teacher salaries increase due to an increase to the teacher salary scale and new teaching positions added at all levels. Auxiliary salaries also increase due to the addition of new support and administrative staff and a salary increase for all auxiliary staff. Three to four new positions are planned to add in July 2020 to handle increased elementary and middle school level enrollment.
- Bonds were issued in June 2019 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 2019-20 school year in grades PK-12 has passed 1,200 and is expected to exceed 1,350 in the 20-21 year. The facilities to be completed in 2020 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 $300 million for 2018-19 fiscal year. That represents a very large increase of approximately 80%, which provided substantial increased tax revenues for 2018-19, and continued increased tax revenue but will substantially decrease state revenue in subsequent years, when the state comptroller tax values catch up in the state aid calculation formulas. The 18-19 year shows 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 decrease significantly for that one year, until state comptroller tax values level out for state aid calculations. 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 tax values, however it is not expected to be extremely volatile, but steadily decrease each year. A projected upswing in residential housing, and some business growth, will help to offset the windfarm value losses.

These indicators were taken into account when adopting the general fund budget for 2019-20. Revenues available for appropriation in the general fund budget are $10,564,630, a decrease of 11.4% over the final 2018-19 revenue budget of $11,925,941. The M&O tax rate increases and property tax revenue will decrease slightly for 19-20, due to windfarm value decrease. State revenue will increase due to increased student enrollment and funding increases form HB3 that goes into effect for 19-20. 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 2019-20, with data that we have at this time. That could change later in 19-20 and/or in subsequent years due to property value increases, and depending on enrollment growth rates.

General Fund expenditures for the 2019-20 fiscal year are budgeted at $11,547,692, an increase of .4% from last year's final amended expenditure budget of $11,497,388. The budget provides an increase to the teacher pay scale, an increase to all auxiliary salaries, and a decrease in budgeted expenses for major repairs and facility improvements. There were also several new employee positions added, along with facilities and supplies to serve the additional 95 students expected to be enrolled in 2019-20, as well as utilities, maintenance and furnishings for newly constructed buildings.

If these estimates are realized, the District's budgetary general fund balance is expected to decrease by about $1.7 million from $8.3 million to approximately $6.6 million by the close of fiscal year 2019-20. The 18-19 general fund balance increased by over $3 million, as a result of increased tax revenue for one year from the wind farm value, and maintenance tax note proceeds received in August 2019 and not spent until after the close of the fiscal year. The increase in general fund balance over the last two-year period is estimated to be about $1.6 million

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

LONDON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION
AUGUST 31, 2019

Data Control Codes		1 Governmental Activities
	ASSETS:	
1110	*Cash and Cash Equivalents*	$ 17,090,697
1225	*Property Taxes Receivable (Net)*	65,804
1240	*Due from Other Governments*	1,163,525
1290	*Other Receivables (Net)*	20,671
1410	*Unrealized Expenses*	106,346
	Capital Assets:	
1510	*Land*	392,252
1520	*Buildings and Improvements, Net*	18,518,796
1530	*Furniture and Equipment, Net*	480,961
1580	*Construction in Progress*	11,950,733
1000	Total Assets	49,789,785
	DEFERRED OUTFLOWS OF RESOURCES:	
	Deferred Outflow Related to Pensions	1,457,006
	Deferred Outflow Related to OPEB	481,471
1700	Total Deferred Outflows of Resources	1,938,477
	LIABILITIES:	
2110	*Accounts Payable*	2,034,851
2165	*Accrued Liabilities*	514,511
2177	*Due to Fiduciary*	600
2300	*Unearned Revenue*	13,118
	Noncurrent Liabilities:	
2501	*Due Within One Year*	1,215,205
2502	*Due in More Than One Year*	34,692,716
2540	*Net Pension Liability*	2,463,125
2545	*Net OPEB Liability*	3,091,292
2000	Total Liabilities	44,025,418
	DEFERRED INFLOWS OF RESOURCES:	
	Deferred Inflow Related to Pensions	134,970
	Deferred Inflow Related to OPEB	977,541
2600	Total Deferred Inflows of Resources	1,112,511
	NET POSITION:	
3200	Net Investment in Capital Assets	5,348,131
	Restricted For:	
3820	State and Federal Programs	115,666
3850	Debt Service	721,304
3870	Campus Activities	111,713
3900	Unrestricted	293,519
3000	Total Net Position	$ 6,590,333

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues Charges for Services	4 Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
	Governmental Activities:				
11	*Instruction*	$ 5,522,845	$ 84,801	$ 552,503	$ (4,885,541)
12	*Instructional Resources and Media Services*	171,050	2,800	7,147	(161,103)
13	*Curriculum and Staff Development*	12,902	218	556	(12,128)
21	*Instructional Leadership*	208,374	3,320	9,410	(195,644)
23	*School Leadership*	551,323	8,804	22,467	(520,052)
31	*Guidance, Counseling, & Evaluation Services*	275,469	4,410	11,255	(259,804)
33	*Health Services*	120,936	1,945	4,964	(114,027)
34	*Student Transportation*	327,002	4,611	11,769	(310,622)
35	*Food Service*	648,505	466,962	139,588	(41,955)
36	*Cocurricular/Extracurricular Activities*	908,546	86,403	34,621	(787,522)
41	*General Administration*	507,204	8,233	21,012	(477,959)
51	*Facilities Maintenance and Operations*	1,704,406	28,171	94,847	(1,581,388)
52	*Security and Monitoring Services*	158,935	2,314	19,600	(137,021)
53	*Data Processing Services*	96,920	1,576	4,023	(91,321)
72	*Interest on Long-term Debt*	1,401,019	--	--	(1,401,019)
73	*Bond Issuance Costs and Fees*	33,500	--	--	(33,500)
81	*Capital Outlay*	133,533	2,482	6,334	(124,717)
99	*Other Intergovernmental Charges*	97,092	--	--	(97,092)
TG	Total Governmental Activities	12,879,561	707,050	940,096	(11,232,415)
TP	Total Primary Government	$ 12,879,561	$ 707,050	$ 940,096	(11,232,415)

Data Control Codes		
	General Revenues:	
MT	*Property Taxes, Levied for General Purposes*	6,450,660
DT	*Property Taxes, Levied for Debt Service*	2,633,782
IE	*Investment Earnings*	538,876
GC	*Grants and Contributions Not Restricted to Specific Programs*	5,346,863
MI	*Miscellaneous*	29,678
TR	Total General Revenues	14,999,859
CN	Change in Net Position	3,767,444
NB	Net Position - Beginning	2,822,889
NE	Net Position - Ending	$ 6,590,333

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes		10 General Fund	50 Debt Service Fund
	ASSETS:		
1110	*Cash and Cash Equivalents*	$ 8,047,504	$ 721,304
1225	*Taxes Receivable, Net*	51,209	14,595
1240	*Due from Other Governments*	904,909	--
1260	*Due from Other Funds*	37,550	--
1290	*Other Receivables*	--	--
1410	*Unrealized Expenditures*	106,346	--
1000	Total Assets	9,147,518	735,899
	LIABILITIES:		
	Current Liabilities:		
2110	*Accounts Payable*	$ 213,097	$ --
2150	*Payroll Deductions & Withholdings*	36,226	--
2160	*Accrued Wages Payable*	447,932	--
2170	*Due to Other Funds*	26,317	--
2200	*Accrued Expenditures*	13,098	--
2300	*Unearned Revenue*	13,118	--
2000	Total Liabilities	749,788	--
	DEFERRED INFLOWS OF RESOURCES:		
	Deferred Revenue	51,210	14,595
2600	Total Deferred Inflows of Resources	51,210	14,595
	FUND BALANCES:		
	Restricted Fund Balances:		
3450	*Federal/State Funds Grant Restrictions*	--	--
3480	*Retirement of Long-Term Debt*	--	721,304
3490	*Other Restrictions of Fund Balance*	--	--
	Committed Fund Balances:		
3510	*Construction*	1,150,000	--
3600	Unassigned	7,196,520	--
3000	Total Fund Balances	8,346,520	721,304
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	$ 9,147,518	$ 735,899

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
$ 8,340,141	$ (18,252)	$ 17,090,697
--	--	65,804
--	258,616	1,163,525
--	200	37,750
--	20,671	20,671
--	--	106,346
8,340,141	261,235	18,484,793
$ 1,817,186	$ 4,568	$ 2,034,851
--	--	36,226
--	15,644	463,576
--	12,033	38,350
--	1,611	14,709
--	--	13,118
1,817,186	33,856	2,600,830
--	--	65,805
--	--	65,805
--	115,666	115,666
--	--	721,304
--	111,713	111,713
6,522,955	--	7,672,955
--	--	7,196,520
6,522,955	227,379	15,818,158
$ 8,340,141	$ 261,235	$ 18,484,793

LONDON INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2019

Total fund balances - governmental funds balance sheet	$ 15,818,158
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.	31,342,741
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	65,805
Payables for bond principal which are not due in the current period are not reported in the funds.	(32,702,752)
Payables for notes which are not due in the current period are not reported in the funds.	(1,632,000)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(2,463,125)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(134,970)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,457,006
Bond premiums are amortized in the SNA but not in the funds.	(1,573,169)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(3,091,292)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(977,541)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	481,471
Rounding difference	1
Net position of governmental activities - Statement of Net Position	$ 6,590,333

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, 2019

Data Control Codes		10 General Fund	50 Debt Service Fund
	REVENUES:		
5700	*Local and Intermediate Sources*	$ 6,819,854	$ 2,677,855
5800	*State Program Revenues*	5,551,611	--
5900	*Federal Program Revenues*	39,828	--
5020	Total Revenues	12,411,293	2,677,855
	EXPENDITURES:		
	Current:		
0011	*Instruction*	4,426,850	--
0012	*Instructional Resources and Media Services*	150,998	--
0013	*Curriculum and Staff Development*	11,884	--
0021	*Instructional Leadership*	179,480	--
0023	*School Leadership*	475,672	--
0031	*Guidance, Counseling, & Evaluation Services*	237,893	--
0033	*Health Services*	104,570	--
0034	*Student Transportation*	256,373	--
0035	*Food Service*	23,787	--
0036	*Cocurricular/Extracurricular Activities*	731,970	--
0041	*General Administration*	444,863	--
0051	*Facilities Maintenance and Operations*	1,670,860	--
0052	*Security and Monitoring Services*	132,169	--
0053	*Data Processing Services*	85,207	--
0071	*Principal on Long-term Debt*	243,000	992,215
0072	*Interest on Long-term Debt*	21,203	1,587,837
0073	*Bond Issuance Costs and Fees*	32,300	1,200
0081	*Capital Outlay*	784,689	--
0099	*Other Intergovernmental Charges*	97,092	--
6030	Total Expenditures	10,110,860	2,581,252
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	2,300,433	96,603
	Other Financing Sources and (Uses):		
7914	*Issuance of Non-Current Debt*	1,000,000	--
7080	Total Other Financing Sources and (Uses)	1,000,000	--
1200	Net Change in Fund Balances	3,300,433	96,603
0100	Fund Balances - Beginning	5,046,087	624,701
3000	Fund Balances - Ending	$ 8,346,520	$ 721,304

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
$ 315,373	$ 547,049	$ 10,360,131
--	144,457	5,696,068
--	369,713	409,541
315,373	1,061,219	16,465,740
--	336,089	4,762,939
--	--	150,998
--	--	11,884
--	935	180,415
--	--	475,672
--	--	237,893
--	--	104,570
--	--	256,373
--	548,743	572,530
--	72,613	804,583
--	--	444,863
--	22,951	1,693,811
--	13,694	145,863
--	--	85,207
--	--	1,235,215
--	--	1,609,040
--	--	33,500
10,553,085	--	11,337,774
--	--	97,092
10,553,085	995,025	24,240,222
(10,237,712)	66,194	(7,774,482)
--	--	1,000,000
--	--	1,000,000
(10,237,712)	66,194	(6,774,482)
16,760,667	161,185	22,592,640
$ 6,522,955	$ 227,379	$ 15,818,158

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, 2019

Net change in fund balances - total governmental funds	$ (6,774,482)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	11,368,159
The depreciation of capital assets used in governmental activities is not reported in the funds.	(925,975)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(53,938)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	992,216
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	243,000
The accretion of interest on capital appreciation bonds is not reported in the funds.	144,985
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(1,000,000)
Bond premiums are reported in the funds but not in the SOA.	63,035
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(237,211)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(52,346)
Rounding difference	1
Change in net position of governmental activities - Statement of Activities	$ 3,767,444

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2019

Data Control Codes		Private-purpose Trust Fund	Agency Fund
		Private-Purpose Trust Fund	Student Activity
	ASSETS:		
1110	*Cash and Cash Equivalents*	$ 286	$ 105,572
1260	*Due from Other Funds*	--	600
1000	Total Assets	286	106,172
	LIABILITIES:		
	Current Liabilities:		
2190	*Due to Student Groups*	$ --	$ 106,172
2000	Total Liabilities	--	106,172
	NET POSITION:		
3800	*Held in Trust*	286	--
3000	Total Net Position	$ 286	$ --

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, 2019

	Private-Purpose Trusts
Additions:	
Investment Income	$ --
Net (Decrease) in Fair Value of Investments	--
Employer Contributions	--
Contributions	--
Total Additions	--
Deductions:	
Scholarship Awards	75
Benefits	--
Refunds of Contributions	--
Administrative Expenses	--
Total Deductions	75
Change in Net Position	(75)
Net Position-Beginning of the Year	361
Net Position-End of the Year	$ 286

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

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

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

In addition, the District reports the following fund types:

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	$ 88,889	$ 25,334	$ 114,223
Allowance for Uncollectibles	(37,680)	(10,739)	(48,419)
Net Taxes	$ 51,209	$ 14,595	$ 65,804

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

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

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

d. Deferred Outflows and Inflows of Resources

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

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

e. Receivable and Payable Balances

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

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

f. Interfund Activity

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

g. Use of Estimates

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

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

j. Net Position Flow Assumption

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

k. Fund Balance Flow Assumptions

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

4. Pensions

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

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

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

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

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

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

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

GASB Statement No. 83, *Certain Asset Retirement Obligations*

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

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

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

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

GASB Statement No. 84, *Fiduciary Activities*

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Violation

	Budget	Actual Amount Spent	Variance
General Fund			
71 Principal on Long-Term Debt	235,000	243,000	(8,000)
73 Bond Issuance Cost	2,000	32,300	(30,300)
Debt Service Fund			
71 Principal on Long-Term Debt	922,216	992,215	(69,999)

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

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

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

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, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $14,338 and the bank balance was $489,147. The District's cash deposits at August 31, 2019 and during the year ended August 31, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

The District's investments at August 31, 2019 are shown below and are included with Cash and Cash Equivalents:

Investment or Investment Type	Maturity	Fair Value	Credit Rate
Lone Star Investment Pool	N/A	$ 17,182,215	AAAm
Total Investments included with Cash		$ 17,182,215	

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.

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.

TexSTAR

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

Lone Star

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

D. Capital Assets

Capital asset activity for the year ended August 31, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 392,251	$ --	$ --	$ 392,251
Construction in progress	1,304,160	11,288,700	642,127	11,950,733
Total capital assets not being depreciated	1,696,411	11,288,700	642,127	12,342,984
Capital assets being depreciated:				
Buildings and improvements	23,947,985	686,240	--	24,634,225
Equipment	425,059	28,177	21,107	432,129
Vehicles	1,059,933	7,170	--	1,067,103
Total capital assets being depreciated	25,432,977	721,587	21,107	26,133,457
Less accumulated depreciation for:				
Buildings and improvements	(5,281,870)	(833,559)	--	(6,115,429)
Equipment	(250,615)	(36,352)	(21,107)	(265,860)
Vehicles	(696,346)	(56,065)	--	(752,411)
Total accumulated depreciation	(6,228,831)	(925,976)	(21,107)	(7,133,700)
Total capital assets being depreciated, net	19,204,146	(204,389)	--	18,999,757
Governmental activities capital assets, net	$ 20,900,557	$ 11,084,311	$ 642,127	$ 31,342,741

Depreciation was charged to functions as follows:

Instruction	$ 436,288
Instructional Resources and Media Services	13,022
Curriculum and Staff Development	1,018
Instructional Leadership	16,440
School Leadership	43,497
Guidance, Counseling, & Evaluation Services	21,733
Health Services	9,541
Student Transportation	56,065
Food Services	51,164
Extracurricular Activities	71,528
General Administration	40,016
Plant Maintenance and Operations	145,004
Security and Monitoring Services	12,539
Data Processing Services	8,121
	$ 925,976

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2019, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	General Fund (Clearing Funds)	$ 25,517	Short-term loans
General Fund	Other Governmental Funds	12,033	Short-term loans
Other Governmental Funds	General Fund	200	Short-term loans
Agency Fund	General Fund	600	Short-term loans
	Total	$ 38,350	

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

F. Long-Term Obligations

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

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, 2019, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
2014 Unliminted Tax School Building Bonds 4.0%	9,604,698		142,216	9,462,482	131,205
2015 Unliminted Tax School Building Bonds 4.0%	5,135,000		245,000	4,890,000	255,000
2018 Unliminted Tax School Building and Refunding Bonds 4.0%-5.0%	18,955,000		605,000	18,350,000	615,000
Total Bonds	33,694,698	--	992,216	32,702,482	1,001,205
Limited Maintenance Tax Notes 2012 2.04%	146,000		146,000	--	
Limited Maintenance Tax Notes 2015 2.5%	729,000		97,000	632,000	99,000
Limited Maintenance Tax Notes 2015 2.5%		1,000,000		1,000,000	115,000
	875,000	1,000,000	243,000	1,632,000	
Accretion	144,985		144,985	--	
Premium	1,636,204		63,035	1,573,169	
Total governmental activities	$ 36,350,887	$ 1,000,000	$ 1,443,236	$ 35,907,651	$ 1,215,205
Due Within One Year				(1,215,205)	
Due in More Than One Year				$ 34,692,446	
Net Pension Liability	$ 1,348,236	$ 1,114,889	$	$ 2,463,125	
Net OPEB Liability	$ 2,522,215	$ 568,777	$	$ 3,090,992	

* 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	

* Other long-term liabilities

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2019, are as follows:

	Governmental Activities		
	Bonds		
Year Ending August 31,	Principal	Interest	Total
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	1,345,257	2,370,943
2024	1,056,169	1,310,025	2,366,194
2025-2029	5,317,274	5,724,620	11,041,894
2030-2034	5,485,000	4,547,394	10,032,394
2035-2039	6,035,000	3,417,194	9,452,194
2040-2044	7,350,000	1,947,475	9,297,475
2045-2049	3,420,000	258,500	3,678,500
Totals	$ 32,702,752	$ 22,758,174	55,460,926

Year Ending August 31,	Principal	Interest	Total
2020	$ 214,000	$ 39,068	$ 253,068
2021	219,000	33,414	252,414
2022	225,000	28,211	253,211
2023	231,000	22,864	253,864
2024	235,000	17,374	252,374
2025-2029	508,000	20,915	528,915
Totals	$ 1,632,000	$ 161,846	$ 1,793,846

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	$ 2,250,000

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.

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS) and is 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.

3. Benefits Provided

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

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 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

Contribution Rates

		2018	2019
Member		7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)		6.8%	6.8%
Employers		6.8%	6.8%
District's 2019 Employer Contributions	$	157,975	
District's 2019 Member Contributions	$	433,957	
2018 NECE On-Behalf Contributions (state)	$	275,859	

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

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

--- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

--- During a new member's first 90 days of employment.

--- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

--- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

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

--- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

5. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Payroll Growth Rate	3.00%
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 three year period ending August 31, 2017 and adopted in July, 2018.

6. Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on the pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed the 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal 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 arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Rate of Return
As of August 31, 2016

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Return	0.0%	0.0%	0.0%
Stable Value Hedge Funds	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy & Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%

Risk Parity			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation			2.3%
Alpha			-0.8%
Total	100.0%		7.2%

* Target allocation are based on the FY 2016 policy model.

** 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 (6.907%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 5.907%	Discount Rate 6.907%	1% Increase in Discount Rate 7.907%
District's proportionate share of the net pension liability	$ 3,717,447	$ 2,463,125	$ 1,447,678

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

At August 31, 2019, the District reported a liability of $2,463,125 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	$ 2,463,125
State's proportionate share that is associated with District	4,510,098
Total	$ 6,973,223

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. 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, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.004475%. which was an increase (decrease) of 0.004475% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation -
The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

--- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

--- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.

--- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.

--- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.

--- The long-term assumed rate of return changed from 8.0% to 7.25%.

--- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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, 2019, the District recognized pension expense of $446,379 and revenue of $446,379 for support provided by the State.

At August 31, 2019, 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	$ 15,353	$ 60,435
Changes in actuarial assumptions	888,075	27,752
Difference between projected and actual investment earnings	--	46,736
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	395,603	47
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	157,975	--
Total	$ 1,457,006	$ 134,970

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

Year Ended August 31		Pension Expense Amount
2020	$	309,421
2021	$	211,067
2022	$	181,771
2023	$	184,919
2024	$	170,657
Thereafter	$	106,225

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

TRS-Care provides 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 the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes, including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees January 1, 2018 thru December 31, 2018		
	Medicare	Non-Medicare
Retiree*	$ 135	$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* 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 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75 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		
	2018	2019
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%

District's 2019 Employer Contributions	$	51,259
District's 2019 Member Contributions	$	36,630
2018 NECE On-Behalf Contributions (state)	$	63,148

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional $212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to $394.6 million.

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed on the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in the 2018 CAFR for the Teacher Retirement System of Texas.

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 that was rolled forward to August 31, 2018:

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 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate *	3.69% *
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	3.00%
Projected Salary Increases	3.05% to 9.05%, including inflation ***
Healthcare Trend Rates **	8.50% **
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Ad Hoc Post-Employment Benefit Changes	None

*Sourced from 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, 2018.

**8.50% for FY2019, decreasing 0.5% per year to 4.50% for FY2027 and later years.

*** Includes inflation at 2.5%.

6. Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of net OPEB liability	$ 3,679,699	$ 3,091,292	$ 2,625,823

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

At August 31, 2019, the District reported a liability of $3,091,292 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$	3,091,292
State's proportionate share that is associated with the District	$	4,577,097
Total	$	7,668,389

The Net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2019 the District's proportion of the collective net OPEB liability was 0.0061911, compared
ERR

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

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of net OPEB liability	$ 2,567,368	$ 3,091,292	$ 3,781,310

9. Changes Since the Prior Actuarial Valuation

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

--- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.

--- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.

--- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.

--- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability $2.3 billion.

--- Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section B for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

--- 2018 thresholds of $850 / $2,292 were indexed annually by 2.50%.

--- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.

--- 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.

Changes of benefit terms that affected measurement of the total OPEB liability during the measurement period are listed below:

The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

--- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.

--- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.

--- Allowed the System to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.

--- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.

--- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute $200 per month toward their health insurance premiums.

For the year ended August 31, 2019, the District recognized OPEB expense of $166,487 and revenue of $166,487 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	$ 164,043	$ 48,785
Changes in actuarial assumptions	51,585	928,756
Differences between projected and actual investment earnings	541	
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	214,043	
Contributions paid to TRS subsequent to the measurement date	51,259	
Total	$ 481,471	$ 977,541

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
2020	$ (95,038)
2021	$ (95,038)
2022	$ (95,038)
2023	$ (95,140)
2024	$ (95,199)
Thereafter	$ (71,876)

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the current fiscal year ended August 31, 2019, the subsidy payment received by TRS-Care on behalf of the District was $20,484.

J. Employee Health Care Coverage

During the year ended August 31, 2019, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of $255 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a 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.

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

K. Commitments and Contingencies

1. Contingencies

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

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, 2019

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
	REVENUES:				
5700	*Local and Intermediate Sources*	$ 6,937,300	$ 6,939,900	$ 6,819,854	$ (120,046)
5800	*State Program Revenues*	4,570,485	4,956,041	5,551,611	595,570
5900	*Federal Program Revenues*	--	30,000	39,828	9,828
5020	Total Revenues	11,507,785	11,925,941	12,411,293	485,352
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	*Instruction*	4,716,700	4,718,480	4,426,850	291,630
0012	*Instructional Resources and Media Services*	131,777	151,777	150,998	779
0013	*Curriculum and Staff Development*	19,000	21,200	11,884	9,316
	Total Instruction & Instr. Related Services	4,867,477	4,891,457	4,589,732	301,725
	Instructional and School Leadership:				
0021	*Instructional Leadership*	191,661	193,961	179,480	14,481
0023	*School Leadership*	475,927	480,827	475,672	5,155
	Total Instructional & School Leadership	667,588	674,788	655,152	19,636
	Support Services - Student (Pupil):				
0031	*Guidance, Counseling and Evaluation Services*	233,625	246,925	237,893	9,032
0033	*Health Services*	104,609	105,609	104,570	1,039
0034	*Student (Pupil) Transportation*	305,043	436,043	256,373	179,670
0035	*Food Services*	25,000	27,000	23,787	3,213
0036	*Cocurricular/Extracurricular Activities*	838,911	793,711	731,970	61,741
	Total Support Services - Student (Pupil)	1,507,188	1,609,288	1,354,593	254,695
	Administrative Support Services:				
0041	*General Administration*	472,339	472,339	444,863	27,476
	Total Administrative Support Services	472,339	472,339	444,863	27,476
	Support Services - Nonstudent Based:				
0051	*Plant Maintenance and Operations*	1,466,243	1,729,299	1,670,860	58,439
0052	*Security and Monitoring Services*	130,686	134,686	132,169	2,517
0053	*Data Processing Services*	85,531	85,531	85,207	324
	Total Support Services - Nonstudent Based	1,682,460	1,949,516	1,888,236	61,280
	Debt Service:				
0071	*Principal on Long-Term Debt*	387,000	235,000	243,000	(8,000)
0072	*Interest on Long-Term Debt*	--	50,000	21,203	28,797
0073	*Bond Issuance Costs and Fees*	--	2,000	32,300	(30,300)
	Total Debt Service	387,000	287,000	296,503	(9,503)
	Capital Outlay:				
0081	*Capital Outlay*	--	1,515,000	784,689	730,311
	Total Capital Outlay	--	1,515,000	784,689	730,311
0099	*Other Intergovernmental Charges*	95,000	98,000	97,092	908
	Total Intergovernmental Charges	95,000	98,000	97,092	908
6030	Total Expenditures	9,679,052	11,497,388	10,110,860	1,386,528
1100	Excess (Deficiency) of Revenues Over (Under)				

Data Control Codes		1 Budgeted Amounts Original	2 Final	3 Actual	Variance with Final Budget Positive (Negative)
1100	Expenditures	1,828,733	428,553	2,300,433	1,871,880
	Other Financing Sources (Uses):				
7914	*Issuance of Non-Current Debt*	--	1,000,000	1,000,000	--
8911	*Transfers Out*	(44,003)	(44,003)	--	44,003
7080	Total Other Financing Sources and (Uses)	(44,003)	955,997	1,000,000	44,003
1200	Net Change in Fund Balance	1,784,730	1,384,550	3,300,433	1,915,883
0100	Fund Balance - Beginning	5,046,087	5,046,087	5,046,087	--
3000	Fund Balance - Ending	$ 6,830,817	$ 6,430,637	$ 8,346,520	$ 1,915,883

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				
	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0044749576%	0.0042165835%	0.0039598355%	0.0040661000%	0.0020426000%
District's proportionate share of the net pension liability (asset)	$ 2,463,125	$ 1,348,236	$ 1,496,363	$ 1,437,312	$ 545,607
State's proportionate share of the net pension liability (asset) associated with the District	4,510,098	2,761,108	3,090,513	2,671,442	2,343,238
Total	$ 6,973,223	$ 4,109,344	$ 4,586,876	$ 4,108,754	$ 2,888,845
District's covered-employee payroll	$ 5,291,183	$ 5,184,244	$ 4,617,337	$ 4,161,771	$ 3,895,982
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	46.55%	26.01%	32.41%	34.54%	14.00%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

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

LONDON INDEPENDENT SCHOOL DISTRICT

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

	Fiscal Year 2019	2018	2017	2016	2015
Contractually required contribution	$ 157,975	$ 150,486	$ 145,832	$ 125,814	$ 120,398
Contributions in relation to the contractually required contribution	(157,975)	(150,486)	(145,832)	(125,814)	(120,398)
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --
District's covered-employee payroll	$ 5,631,959	$ 5,291,181	$ 5,184,244	$ 4,617,337	$ 4,161,771
Contributions as a percentage of covered-employee payroll	2.80%	2.84%	2.81%	2.72%	2.89%

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

LONDON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHER RETIRMENT SYSTEM OF TEXAS
*LAST TEN FISCAL YEARS **

	Measurement Year Ended	
	2018	2017
District's proportion of the collective net OPEB liability	0.0061911376%	0.0058007184%
District's proportionate share of the collective net OPEB liability	$ 3,091,292	$ 2,522,515
State proportionate share of the collective net OPEB liability associated with the District	$ 4,577,097	$ 4,175,922
Total	$ 7,668,389	$ --
District's covered-employee payroll	$ 5,291,183	$ 5,184,244
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	58.42%	48.66%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%

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

LONDON INDEPENDENT SCHOOL DISTRICT

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

	Fiscal Year Ended 2019	Fiscal Year Ended 2018
Statutorily or contractually required District contribution	$ 51,259	$ 42,276
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	51,259	42,276
Contribution deficiency (excess)	$ --	$ --
District's covered-employee payroll	$ 5,631,959	$ 5,291,183
Contributions as a percentage of covered-employee payroll	0.91%	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.

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 SPECIAL REVENUE FUNDS
AUGUST 31, 2019

Data Control Codes		204 ESEA Title IV SDFSC	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant
	ASSETS:				
1110	*Cash and Cash Equivalents*	$ (13,694)	$ (15,253)	$ (46,293)	$ (57)
1240	*Due from Other Governments*	13,694	31,513	55,266	57
1260	*Due from Other Funds*	--	--	--	--
1290	*Other Receivables*	--	--	--	--
1000	Total Assets	--	16,260	8,973	--
	LIABILITIES:				
	Current Liabilities:				
2110	*Accounts Payable*	$ --	$ --	$ --	$ --
2160	*Accrued Wages Payable*	--	7,476	8,168	--
2170	*Due to Other Funds*	--	7,978	--	--
2200	*Accrued Expenditures*	--	806	805	--
2000	Total Liabilities	--	16,260	8,973	--
	FUND BALANCES:				
	Restricted Fund Balances:				
3450	*Federal/State Funds Grant Restrictions*	--	--	--	--
3490	*Other Restrictions of Fund Balance*	--	--	--	--
3000	Total Fund Balances	--	--	--	--
4000	Total Liabilities and Fund Balances	$ --	$ 16,260	$ 8,973	$ --

240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	289 Texas Hurricane Emergenccy Impact Aid	410 State Textbook Fund
$ 83,738	$ --	$ (409)	$ (22,951)	$ (114,741)
15,825	--	709	22,951	118,496
--	--	--	--	--
20,671	--	--	--	--
120,234	--	300	--	3,755
$ 4,568	$ --	$ --	$ --	$ --
--	--	--	--	--
--	--	300	--	3,755
--	--	--	--	--
4,568	--	300	--	3,755
115,666	--	--	--	--
--	--	--	--	--
115,666	--	--	--	--
$ 120,234	$ --	$ 300	$ --	$ 3,755

LONDON INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2019

Data Control Codes		427 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
	ASSETS:			
1110	*Cash and Cash Equivalents*	$ (305)	$ 111,713	$ (18,252)
1240	*Due from Other Governments*	105	--	258,616
1260	*Due from Other Funds*	200	--	200
1290	*Other Receivables*	--	--	20,671
1000	Total Assets	--	111,713	261,235
	LIABILITIES:			
	Current Liabilities:			
2110	*Accounts Payable*	$ --	$ --	$ 4,568
2160	*Accrued Wages Payable*	--	--	15,644
2170	*Due to Other Funds*	--	--	12,033
2200	*Accrued Expenditures*	--	--	1,611
2000	Total Liabilities	--	--	33,856
	FUND BALANCES:			
	Restricted Fund Balances:			
3450	*Federal/State Funds Grant Restrictions*	--	--	115,666
3490	*Other Restrictions of Fund Balance*	--	111,713	111,713
3000	Total Fund Balances	--	111,713	227,379
4000	Total Liabilities and Fund Balances	$ --	$ 111,713	$ 261,235

LONDON INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED AUGUST 31, 2019

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	*Local and Intermediate Sources*	$ --	$ --	$ --	$ --
5800	*State Program Revenues*	--	--	--	--
5900	*Federal Program Revenues*	13,694	63,746	123,997	1,623
5020	Total Revenues	13,694	63,746	123,997	1,623
	EXPENDITURES:				
	Current:				
0011	*Instruction*	--	62,811	123,997	1,623
0021	*Instructional Leadership*	--	935	--	--
0035	*Food Service*	--	--	--	--
0036	*Cocurricular/Extracurricular Activities*	--	--	--	--
0051	*Facilities Maintenance and Operations*	--	--	--	--
0052	*Security and Monitoring Services*	13,694	--	--	--
6030	Total Expenditures	13,694	63,746	123,997	1,623
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	--	--
1200	Net Change in Fund Balances	--	--	--	--
0100	Fund Balances - Beginning	--	--	--	--
3000	Fund Balances - Ending	$ --	$ --	$ --	$ --

240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	289 Texas Hurricane Emergenccy Impact Aid	410 State Textbook Fund
$ 466,612	$ --	$ --	$ --	$ --
2,112	--	--	--	138,950
138,389	1,592	3,721	22,951	--
607,113	1,592	3,721	22,951	138,950
--	1,592	3,721	--	138,950
--	--	--	--	--
548,743	--	--	--	--
--	--	--	--	--
--	--	--	22,951	--
--	--	--	--	--
548,743	1,592	3,721	22,951	138,950
58,370	--	--	--	--
58,370	--	--	--	--
57,296	--	--	--	--
$ 115,666	$ --	$ --	$ --	$ --

LONDON INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		427 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
	REVENUES:			
5700	*Local and Intermediate Sources*	$ --	$ 80,437	$ 547,049
5800	*State Program Revenues*	3,395	--	144,457
5900	*Federal Program Revenues*	--	--	369,713
5020	Total Revenues	3,395	80,437	1,061,219
	EXPENDITURES:			
	Current:			
0011	*Instruction*	3,395	--	336,089
0021	*Instructional Leadership*	--	--	935
0035	*Food Service*	--	--	548,743
0036	*Cocurricular/Extracurricular Activities*	--	72,613	72,613
0051	*Facilities Maintenance and Operations*	--	--	22,951
0052	*Security and Monitoring Services*	--	--	13,694
6030	Total Expenditures	3,395	72,613	995,025
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	7,824	66,194
1200	Net Change in Fund Balances	--	7,824	66,194
0100	Fund Balances - Beginning	--	103,889	161,185
3000	Fund Balances - Ending	$ --	$ 111,713	$ 227,379

LONDON INDEPENDENT SCHOOL DISTRICT

CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		1 Budget	2 Actual	3 Variance Positive (Negative)
	REVENUES:			
5700	*Local and Intermediate Sources*	$ 250,000	$ 315,373	$ 65,373
5020	Total Revenues	250,000	315,373	65,373
	EXPENDITURES:			
	Capital Outlay:			
0081	*Capital Outlay*	19,130,600	10,553,085	8,577,515
	Total Capital Outlay	19,130,600	10,553,085	8,577,515
6030	Total Expenditures	19,130,600	10,553,085	8,577,515
1100 1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,880,600)	(10,237,712)	8,642,888
	Other Financing Sources (Uses):			
7911	*Capital-Related Debt Issued (Regular Bonds)*	18,880,600	--	(18,880,600)
7080	Total Other Financing Sources and (Uses)	18,880,600	--	(18,880,600)
1200	Net Change in Fund Balance	--	(10,237,712)	(10,237,712)
0100	Fund Balance - Beginning	16,760,667	16,760,667	--
3000	Fund Balance - Ending	$ 16,760,667	$ 6,522,955	$ (10,237,712)

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, 2019

	1	2	3
	Tax Rates		Assessed/Appraised Value For School Tax Purposes
Year Ended August 31	Maintenance	Debt Service	
2010 and Prior Years	$ Various	$ Various	$ Various
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	1.04	.3092	389,640,925
2019 (School Year Under Audit)	.9251	.3784	713,333,797
1000 Totals			
9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code			

10 Beginning Balance 9/1/18	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/19
$ 12,517	$ --	$ 45	$ --	$ (4,542)	$ 7,930
1,928	--	--	--	--	1,928
4,348	--	34	14	--	4,300
5,995	--	--	--	--	5,995
23,764	--	2,846	863	39	20,094
24,940	--	10,959	4,985	4,651	13,646
18,476	--	11,203	4,525	4,273	7,021
26,650	--	15,630	6,221	2,750	7,549
57,207	--	39,003	11,596	294	6,903
--	9,192,486	6,334,094	2,590,825	(228,709)	38,858
$ 175,825	$ 9,192,486	$ 6,413,814	$ 2,619,029	$ (221,245)	$ 114,224
$ --	$ --	$ --	$ --	$ --	$ --

LONDON INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		1 Budget	2 Actual	3 Variance Positive (Negative)
	REVENUES:			
5700	*Local and Intermediate Sources*	$ 433,600	$ 466,612	$ 33,012
5800	*State Program Revenues*	1,800	2,112	312
5900	*Federal Program Revenues*	104,500	138,389	33,889
5020	Total Revenues	539,900	607,113	67,213
	EXPENDITURES:			
	Current:			
	Support Services - Student (Pupil):			
0035	*Food Services*	583,903	548,743	35,160
	Total Support Services - Student (Pupil)	583,903	548,743	35,160
6030	Total Expenditures	583,903	548,743	35,160
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(44,003)	58,370	102,373
	Other Financing Sources (Uses):			
7915	*Transfers In*	44,003	--	(44,003)
7080	Total Other Financing Sources and (Uses)	44,003	--	(44,003)
1200	Net Change in Fund Balance	--	58,370	58,370
0100	Fund Balance - Beginning	57,296	57,296	--
3000	Fund Balance - Ending	$ 57,296	$ 115,666	$ 58,370

LONDON INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2019

Dat Contr Code		Budg	Actu	Varianc Positiv (Negative
	REVENUES:			
570	*Local and Intermediate Sources*	2,514,55	2,677,85	163,30
502	Total Revenues	2,514,55	2,677,85	163,30
	EXPENDITURES:			
	Debt Service:			
0071	*Principal on Long-Term Debt*	922,216	992,215	(69,999)
007	*Interest on Long-Term Debt*	1,587,83	1,587,83	-
007	*Bond Issuance Costs and Fees*	4,50	1,20	3,30
	Total Debt Service	2,514,55	2,581,25	(66,699
603	Total Expenditures	2,514,55	2,581,25	(66,699
1100	Excess (Deficiency) of Revenues Over (Under)			
110	Expenditures	-	96,60	96,60
120	Net Change in Fund Balance	-	96,60	96,60
010	Fund Balance - Beginning	624,70	624,70	-
300	Fund Balance - Ending	624,70	721,30	96,60

GOWLAND, STREALY, MORALES & COMPANY, PLLC
Certified Public Accountants

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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, 2019, and the related notes to the financial statements, which collectively comprise London Independent School District's basic financial statements and have issued our report thereon dated January 9, 2020.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2019-1, that we consider to be significant deficiencies.

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
January 9, 2020

LONDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019

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?	X Yes	___ None Reported
Noncompliance material to financial statements noted?	___ Yes	X No

2. Federal Awards

NOT REQUIRED

B. Financial Statement Findings

2019-1
Condition:
Beginning in February, the reconciling items that were listed were not addressed and corrected, but were carred from month to month. This resulted in a large number of adjusting entries at the end of the year.

Criteria:
Bank accounts should be completed and reconciled to the general ledger throughout the year on a timely Basis. Any reconciling items should be cleared each month.

Cause:
Half of the accouning department staff was replaced at mid-year. With the increasing volume of daily operations with a quickly growing District, it left very little time for training new staff.

Potentail Effect:
Accurate monthly reconciliations reduce the risk that errors will remain undetected and uncorrected. Without effective accounting controls, general ledger accounts may be inaccurate and incomplete, funds may not be accounted for properly and balances may not be reliable.

Recommendation:
The District should establish procedures to ensure reconciliations are completed accurately and reconciling items are cleared each month.

LONDON INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented

NONE REQUIRED - N/A

LONDON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2019

2019-1
Procedures have been put in place to clear any reconciling items each month with appropriate journal entries or transfers. The Chief Financial Officer will review the reconciliations each month.

The Chief Financial Officer will be responsible for the continued implementation of the corrective action plan.

LONDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2019

Data Control Codes			Responses
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?	$	--
SF11	Net Pension Assets (object 1920) at fiscal year-end.	$	--
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	$	2,463,125
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."