

**LUMBERTON INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL  
REPORT FOR THE YEAR ENDED**

**AUGUST 31, 2017**

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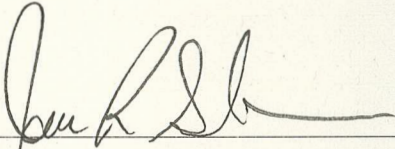
CERTIFICATE OF BOARD

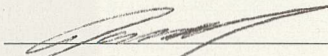
Lumberton Independent School District  
Name of School District

Hardin  
County

100907  
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, 2017 at a meeting of the Board of Trustees of such school district on the 7th of December 2017.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is(are):  
(attach list as necessary)

# MITCHELL T. FONTENOTE

## CERTIFIED PUBLIC ACCOUNTANT, INC.

December 7, 2017

### INDEPENDENT AUDITOR'S REPORT

Lumberton Independent School District  
121 S Main Street  
Lumberton, Texas 77660

#### **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 Lumberton Independent School District as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the Lumberton Independent School 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 entity'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 entity'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 Lumberton Independent School District, as of August 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

2428 NALL STREET • PORT NECHES, TEXAS 77651  
PHONE (409) 722-6300 • FAX (409) 722-6301  
MITCHELL@MTFCPAS.COM

***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 on pages 4-9 and 35, 41-42 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 Lumberton Independent School District's basic financial statements. The introductory section and pension related schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was 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 schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory sections and pension related schedules have 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 them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017, on our consideration of the Lumberton 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 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 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 the Lumberton Independent School District's internal control over financial reporting and compliance.

*Mitchell T Fontenote CPA, Inc.*

In this section of the Annual Financial Report, we, the managers of the Lumberton Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2017. We encourage readers to consider the information presented here in conjunction with the independent auditors' report on page 2, and the District's Basic Financial Statements that begin on page 10.

### FINANCIAL HIGHLIGHTS

- ) The District's total combined net position was \$30,730,440 at August 31, 2017.
- ) During the year, the District's expenses were \$833,654 less than the \$35,597,081 generated in taxes and other revenues for governmental activities.
- ) The general fund reported a fund balance this year of \$4,934,154. Of this amount, \$4,934,154 is for unrestricted use by the District.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) required supplementary information.

**Government-Wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. They include the Statement of Net Position and the Statement of Activities that provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The *Statement of Activities* presents information showing how the government's net position changed during the current fiscal year. All changes in net position are reported for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide detailed information about the District's most significant funds, *not* the District as a whole.

- ) 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.

## OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

The District has the following kinds of funds:

- ) **Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains several individual governmental funds organized according to their type. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the District's most significant funds. The District's major governmental fund is the General Fund. Data for the remaining governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The Texas Education Agency also requires the District to present a budgetary comparison statement for one of its special revenue funds (food service) and the debt service fund.

- ) **Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. 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 separate Statements of Fiduciary Net Position on page 16.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-33 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on page 38-41 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis focuses on the Net Position (Table I) and Changes in Net Position (Table II) of the District's governmental activities.

The District's combined net position were \$30,730,440 at August 31, 2017. (See Table I)

**Table I**  
**Lumberton Independent School District**  
**Net Position**

	August 31, 2017	August 31, 2016
Current and Other Assets	\$ 7,485,362	\$ 6,950,022
Capital Assets	35,338,666	36,294,470
Total Assets	<u>42,824,028</u>	<u>43,244,492</u>
Deferred Outflow Related to TRS	3,170,310	3,306,922
Total Deferred Outflows of Resources	<u>3,170,310</u>	<u>3,306,922</u>
Long-term Liabilities	13,355,839	12,874,254
Other Liabilities	1,561,191	3,367,318
Total Liabilities	<u>14,917,030</u>	<u>16,241,572</u>
Deferred Inflow Related to TRS	346,868	413,055
Total Deferred Inflow of Resources	<u>346,868</u>	<u>413,055</u>
Net Position:		
Net Investment in Capital Assets	27,951,341	26,974,855
Restricted for Federal and State Programs	158,601	205,739
Restricted for Debt Service	167,762	321,990
Unrestricted	2,452,736	2,394,203
Total Net Position	<u>\$ 30,730,440</u>	<u>\$ 29,896,787</u>

Approximately \$27.9 million of the District's net position represent investments in capital assets net of related debt. The \$2.5 million of unrestricted net position represents resources available to fund the programs of the District next year.

**Changes in net position.** The District's total revenues were \$35.6 million. A portion, 36 percent, of the District's revenue comes from local property taxes, 49 percent comes from grants and contributions not restricted, while only 7 percent relates to charges for services and the remaining 8 percent relates to investment earnings and other miscellaneous revenue.

Total Cost of all programs and services was \$34,763,428. The net position of the District's governmental activities for the current year increased by \$833,653 (see Table II on page 7 of this report).



LUMBERTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2017

Key elements of the governmental activities of the District are reflected in the following table.

**Table II**  
**Lumberton Independent School District**  
**Changes in Net Position**

	August 31, 2017	August 31, 2016
Revenues:		
Program Revenues:		
Charges for Services	\$ 2,489,003	\$ 987,675
Operating Grants and Contributions	3,648,225	3,422,083
General Revenues:		
Maintenance and Operations Taxes	11,134,686	10,564,060
Debt Service Taxes	1,286,072	1,197,207
State Aid - Formula Grants		
Grants and Contributions - Not Restricted to	16,878,230	18,271,377
Investment Earnings	28,597	7,607
Miscellaneous	132,268	1,126,357
Total Revenue	<u>35,597,081</u>	<u>35,576,366</u>
Expenses:		
Instruction	19,965,602	19,468,380
Instructional Resources and Media Services	317,103	296,615
Curriculum/Instructional Development	37,687	45,757
Instructional Leadership	855,520	616,476
School Leadership	1,749,556	1,658,620
Guidance and Counseling Services	1,376,942	1,435,170
Health Services	269,565	224,326
Student (Pupil) Transportation	1,412,867	1,204,666
Food Services	1,428,301	1,843,066
Cocurricular/Extracurricular Activities	1,164,187	1,036,651
General Administration	1,027,951	1,038,826
Plant Maintenance and Operations	3,424,556	3,275,355
Security and Monitoring Services	166,044	159,394
Data Processing Services	368,389	307,756
Community Services	10,497	13,247
Debt Services - Interest on Long-Term Debt	125,446	176,307
Contracted Instructional Services Between	500	135,150
Payments Related to Shared Services	658,843	546,054
Payments to Juvenile Justice Alternative Ed.	26,481	26,481
Other Intergovernmental Charges	377,391	294,910
Total Expenses Governmental Activities	<u>34,763,428</u>	<u>33,803,207</u>
Increase (Decrease) in Net Position	<u>833,653</u>	<u>1,773,159</u>
Net Position - September 1 (Beginning)	<u>29,896,787</u>	<u>28,123,628</u>
Net Position - August 31 (Ending)	<u>\$ 30,730,440</u>	<u>\$ 29,896,787</u>

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds (as presented on page 12) reported a combined fund balance of \$5.26 million, which is an increase from last year.

Over the course of the year, the Board of Trustees revised the District's budget a number of times. These budget items fall into three categories. The first category includes amendments and supplemental appropriations that were provided shortly after the school year began. The second category involved moving funds from program areas that did not need or use all of the resources originally appropriated to them. The third category involved changes in state program revenues.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There were budget amendments for the 2016-2017 school year required to meet various needs throughout the District approved by the Board of Trustees.

**CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

**Capital Assets.** At August 31, 2017 the District had \$35.3 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, furniture and equipment used for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of \$955,804 (including additions and deductions) over last year.

**Lumberton Independent School District  
 Capital Assets  
 Governmental Activities**

	August 31, 2017	August 31, 2016
Land	\$ 591,954	\$ 591,954
Buildings and Improvements	72,171,965	70,234,038
Equipment	10,359,896	10,007,308
Construction in Progress	-	1,284,438
Totals at Historical Cost	83,123,815	82,117,738
Less Accumulated Depreciation:		
Buildings and Improvements	(38,536,984)	(36,965,365)
Equipment	(9,248,165)	(8,857,903)
Total Accumulated Depreciation	(47,785,149)	(45,823,268)
Net Capital Assets	\$ 35,338,666	\$ 36,294,470

**Long-Term Debt.** At year-end, the District had \$7.37 million in general obligation debt at a coupon interest rate of 1.0% to 2.69% outstanding at year-end. The District's general obligation bonds carried the highest possible rating, according to national rating agencies.

### **ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES**

The District's elected and appointed officials considered many factors when setting the fiscal-year 2018 budget and tax rate. One of those factors continues to be the economy and the unknown election results and the increasing of the local homestead exemption that will decrease the district's property value. The District's student population has increased slightly from 3698 students enrolled in 2016-2017 to 3967 students enrolled in 2017-2018. These indicators were taken into account when adopting the General Fund budget for 2016. Amounts available for appropriation in the General Fund budget are \$29.79 million which is slightly less than the final amended budget of 2017. If these estimates are realized, the District's budgetary General Fund balance is expected to increase slightly by the close of 2017-2018 school year.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Superintendent, 121 S Main Street, Lumberton, TX 77657.

## BASIC FINANCIAL STATEMENTS

LUMBERTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2017

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 5,449,728
1120 Current Investments	1,090
1220 Property Taxes Receivable (Delinquent)	831,174
1230 Allowance for Uncollectible Taxes	(124,677)
1240 Due from Other Governments	1,219,601
1267 Due from Fiduciary Funds	2,932
1290 Other Receivables, net	105,515
Capital Assets:	
1510 Land	591,954
1520 Buildings, Net	33,634,981
1530 Furniture and Equipment, Net	1,111,731
1000 Total Assets	42,824,029
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS	3,170,310
1700 Total Deferred Outflows of Resources	3,170,310
<b>LIABILITIES</b>	
2110 Accounts Payable	198,652
2140 Interest Payable	27,710
2160 Accrued Wages Payable	1,153,787
2180 Due to Other Governments	82,222
2190 Due to Student Groups	67,576
2200 Accrued Expenses	30,908
2300 Unearned Revenue	337
Noncurrent Liabilities	
2501 Due Within One Year	2,066,309
2502 Due in More Than One Year	5,271,645
2540 Net Pension Liability (District's Share)	6,017,885
2000 Total Liabilities	14,917,031
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS	346,868
2600 Total Deferred Inflows of Resources	346,868
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	27,951,341
3820 Restricted for Federal and State Programs	158,601
3850 Restricted for Debt Service	167,762
3900 Unrestricted	2,452,736
3000 Total Net Position	\$ 30,730,440

The notes to the financial statements are an integral part of this statement.

LUMBERTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT B-1

Net (Expense)  
Revenue and  
Changes in Net  
Position

Data Control Codes	1	Program Revenues		6
Codes	Expenses	3 Charges for Services	4 Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 19,965,602	\$ 483,974	\$ 2,363,276	\$ (17,118,352)
12 Instructional Resources and Media Services	317,103	-	16,241	(300,862)
13 Curriculum and Staff Development	37,687	-	748	(36,939)
21 Instructional Leadership	855,520	564,084	68,290	(223,146)
23 School Leadership	1,749,556	12,820	92,419	(1,644,317)
31 Guidance, Counseling and Evaluation Services	1,376,942	397,423	364,345	(615,174)
33 Health Services	269,565	-	14,603	(254,962)
34 Student (Pupil) Transportation	1,412,867	-	57,834	(1,355,033)
35 Food Services	1,428,301	687,119	531,417	(209,765)
36 Extracurricular Activities	1,164,187	178,299	32,124	(953,764)
41 General Administration	1,027,951	114,004	42,066	(871,881)
51 Facilities Maintenance and Operations	3,424,556	-	46,735	(3,377,821)
52 Security and Monitoring Services	166,044	-	-	(166,044)
53 Data Processing Services	368,389	-	16,073	(352,316)
61 Community Services	10,497	-	691	(9,806)
72 Debt Service - Interest on Long Term Debt	125,446	-	-	(125,446)
73 Debt Service - Bond Issuance Cost and Fees	500	-	-	(500)
93 Payments related to Shared Services Arrangements	658,843	51,280	1,363	(606,200)
95 Payments to Juvenile Justice Alternative Ed. Prg.	26,481	-	-	(26,481)
99 Other Intergovernmental Charges	377,391	-	-	(377,391)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 34,763,428</b>	<b>\$ 2,489,003</b>	<b>\$ 3,648,225</b>	<b>(28,626,200)</b>

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	11,134,686
DT	Property Taxes, Levied for Debt Service	1,286,072
SF	State Aid - Formula Grants	16,502,973
GC	Grants and Contributions not Restricted	375,257
IE	Investment Earnings	28,597
MI	Miscellaneous Local and Intermediate Revenue	132,268
TR	<b>Total General Revenues</b>	<b>29,459,853</b>
CN	Change in Net Position	833,653
NB	Net Position - Beginning	29,896,787
NE	Net Position--Ending	<b>\$ 30,730,440</b>

The notes to the financial statements are an integral part of this statement.

LUMBERTON INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 3,349,575	\$ 1,760,150	\$ 340,003	\$ 5,449,728
1120 Investments - Current	-	-	1,090	1,090
1220 Property Taxes - Delinquent	750,277	80,897	-	831,174
1230 Allowance for Uncollectible Taxes (Credit)	(112,542)	(12,135)	-	(124,677)
1240 Receivables from Other Governments	648,011	-	571,590	1,219,601
1260 Due from Other Funds	3,266,836	-	185,046	3,451,882
1290 Other Receivables	105,515	-	-	105,515
1000 Total Assets	<u>\$ 8,007,672</u>	<u>\$ 1,828,912</u>	<u>\$ 1,097,729</u>	<u>\$ 10,934,313</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 99,920	\$ -	\$ 98,732	\$ 198,652
2160 Accrued Wages Payable	1,034,225	-	119,562	1,153,787
2170 Due to Other Funds	1,226,072	1,593,953	628,925	3,448,950
2180 Due to Other Governments	-	-	82,222	82,222
2190 Due to Student Groups	67,576	-	-	67,576
2200 Accrued Expenditures	21,221	-	9,687	30,908
2300 Unearned Revenues	337	-	-	337
2000 Total Liabilities	<u>2,449,351</u>	<u>1,593,953</u>	<u>939,128</u>	<u>4,982,432</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	624,167	67,197	-	691,364
2600 Total Deferred Inflows of Resources	<u>624,167</u>	<u>67,197</u>	<u>-</u>	<u>691,364</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	158,601	158,601
3480 Retirement of Long-Term Debt	-	167,762	-	167,762
3600 Unassigned Fund Balance	4,934,154	-	-	4,934,154
3000 Total Fund Balances	<u>4,934,154</u>	<u>167,762</u>	<u>158,601</u>	<u>5,260,517</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 8,007,672</u>	<u>\$ 1,828,912</u>	<u>\$ 1,097,729</u>	<u>\$ 10,934,313</u>

The notes to the financial statements are an integral part of this statement.

LUMBERTON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2017

<b>Total Fund Balances - Governmental Funds</b>	\$	5,260,517
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$82,117,738 and the accumulated depreciation was (\$45,823,268). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position. Note: Beginning Balances related to TRS are NOT included in this amount.		26,947,145
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2017 capital outlays and debt principal payments is to decrease net position.		2,987,738
<b>3</b> Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$3,306,922, a Deferred Resource Inflow in the amount of \$413,055 and a net pension liability in the amount of \$5,552,321. The impact of this on Net Position is (2,658,454). Changes from the current year reporting of the TRS plan resulted in a decrease in net position in the amount of (\$535,989). The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of (\$3,194,443) .		(3,194,443)
<b>4</b> The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,961,881)
<b>5</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		691,364
<b>19 Net Position of Governmental Activities</b>	<u>\$</u>	<u>30,730,440</u>

The notes to the financial statements are an integral part of this statement.



LUMBERTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 11,756,566	\$ 1,294,527	\$ 1,970,949	\$ 15,022,042
5800	State Program Revenues	17,733,146	92,971	332,039	18,158,156
5900	Federal Program Revenues	312,710	-	2,054,017	2,366,727
5020	Total Revenues	29,802,422	1,387,498	4,357,005	35,546,925
<b>EXPENDITURES:</b>					
<b>Current:</b>					
0011	Instruction	16,713,280	-	1,696,532	18,409,812
0012	Instructional Resources and Media Services	292,875	-	-	292,875
0013	Curriculum and Instructional Staff Development	35,408	-	-	35,408
0021	Instructional Leadership	206,765	-	586,918	793,683
0023	School Leadership	1,601,204	-	7,212	1,608,416
0031	Guidance, Counseling and Evaluation Services	591,346	-	682,082	1,273,428
0033	Health Services	248,212	-	-	248,212
0034	Student (Pupil) Transportation	1,345,209	-	-	1,345,209
0035	Food Services	-	-	1,341,794	1,341,794
0036	Extracurricular Activities	1,078,661	-	-	1,078,661
0041	General Administration	969,982	-	41,841	1,011,823
0051	Facilities Maintenance and Operations	3,545,907	-	-	3,545,907
0052	Security and Monitoring Services	156,003	-	-	156,003
0053	Data Processing Services	341,060	-	-	341,060
0061	Community Services	9,861	-	-	9,861
<b>Debt Service:</b>					
0071	Principal on Long Term Debt	495,000	1,465,001	-	1,960,001
0072	Interest on Long Term Debt	70,882	76,225	-	147,107
0073	Bond Issuance Cost and Fees	-	500	-	500
<b>Capital Outlay:</b>					
0081	Facilities Acquisition and Construction	589,249	-	-	589,249
<b>Intergovernmental:</b>					
0093	Payments to Fiscal Agent/Member Districts of SSA	611,079	-	47,764	658,843
0095	Payments to Juvenile Justice Alternative Ed. Prg.	26,481	-	-	26,481
0099	Other Intergovernmental Charges	377,391	-	-	377,391
6030	Total Expenditures	29,305,855	1,541,726	4,404,143	35,251,724
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	496,567	(154,228)	(47,138)	295,201
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	300,000	-	-	300,000
8911	Transfers Out (Use)	(300,000)	-	-	(300,000)
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balances	496,567	(154,228)	(47,138)	295,201
0100	Fund Balance - September 1 (Beginning)	4,437,587	321,990	205,739	4,965,316
3000	Fund Balance - August 31 (Ending)	\$ 4,934,154	\$ 167,762	\$ 158,601	\$ 5,260,517

The notes to the financial statements are an integral part of this statement.

LUMBERTON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2017

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	295,201
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2017 capital outlays and debt principal payments is to increase net position.		2,987,738
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(1,961,881)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		48,584
Current year changes due to GASB 68 increased revenues in the amount of \$1,572 but also increased expenditures in the amount of \$586,151. The net effect on the change in the ending net position was a decrease in the amount of \$584,579.		(535,989)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>833,653</b>

The notes to the financial statements are an integral part of this statement.

LUMBERTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2017

EXHIBIT E-1

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 480	\$ 160,064
Investments - Current	20,957	-
Due from Other Funds	-	5,116
Total Assets	21,437	\$ 165,180
<b>LIABILITIES</b>		
Accounts Payable	-	\$ 179
Due to Other Funds	8,101	(52)
Due to Student Groups	-	165,053
Total Liabilities	8,101	\$ 165,180
<b>NET POSITION</b>		
Restricted for Scholarships	13,336	
Total Net Position	\$ 13,336	

The notes to the financial statements are an integral part of this statement.

LUMBERTON INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2017

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 3
Total Additions	<u>3</u>
Change in Net Position	3
Total Net Position - September 1 (Beginning)	<u>-</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 3</u></u>

The notes to the financial statements are an integral part of this statement.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Lumberton Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 76**, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

*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.

As of August 31, 2017, Lumberton Independent School District retrospectively/prospectively applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

**A. REPORTING ENTITY**

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Lumberton Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd**

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

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, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the District to refund all or part of the unused amount.

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd**

**D. FUND ACCOUNTING**

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the District reports the following fund type:

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.
4. **Permanent Funds** – The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Proprietary Funds:

5. **Enterprise Funds** – The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has no non-major enterprise funds.
6. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District has no internal service funds.

Fiduciary Funds:

7. **Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District has no Private Purpose Trust Funds.
8. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is list.

**Student Activities** - The student activities fund is used to record funds held for student organizations.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd**

**E. OTHER ACCOUNTING POLICIES**

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

3. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Infrastructure	50
Vehicles	10
Office Equipment	10
Computer Equipment	10

4. In the fund financial statements, governmental funds report fund balance as nonspendable if the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact. Restrictions of fund balance are for amounts that are restricted to specific purposes by an external entity (creditors, grantors, governmental regulations) or the restriction is imposed by law through constitutional provision or enabling legislation. Commitments of fund balance represent amounts that can only be used for specific purposes pursuant to constraints imposed by the District's Board. Assignments of fund balance are amounts set aside by the District's Superintendent or his designee with the intent they be used for specific purposes.



**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd**

5. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
6. In addition to assets, the statement of financial position 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 that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to TRS.
7. In addition to liabilities, the statement 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 a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. The District reports deferred inflows related to TRS.
8. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in RSI and the other two reports are in Exhibit J4 and J5.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level 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. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY Cont'd**

4. Each budget 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.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Cash and Cash Equivalents**

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by limiting all deposits denominated in a foreign currency to less than 5% of all deposits.

As of August 31, 2017, the following are the District's cash and cash equivalents with respective maturities and credit rating:

<u>Name</u>	<u>Maturity</u>	<u>Ratings</u>	<u>Fair Value</u>	<u>Percentage</u>
Cash	N/A	N/A	\$ 2,145,431	37.03%
CD	1 year	N/A	\$ 19,249	0.33%
TexSTAR - Logic	24 days average	AAA	\$ 56,294	0.97%
Lonestar	24 days average	AAA	\$ 2,096,685	36.18%
TexPool	24 days average	AAA	\$ 1,476,804	25.49%
Total Cash and Cash Equivalents			<u>\$ 5,794,463</u>	<u>100.00%</u>

**Investments**

District Policies and Legal and Contractual Provisions Governing Investments

**Compliance with the Public Funds Investment Act**

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity 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, (9) and bid solicitation preferences for certificates of deposit.

### **III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Lumberton Independent School District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for Lumberton Independent School District are specified below:

*Credit Risk* To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2017, the district's investments were rated AAA.

*Custodial Credit Risk for Investments* To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

*Concentration of Credit Risk* To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

*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 does not have a formal investment policy that limits investment maturities as means of managing exposure to fair value losses arising from increasing interest rates.

*Foreign Currency Risk for Investments* The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by limiting all investments denominated in a foreign currency to less than 5% of all investments.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. the hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of August 31, 2017, Lumberton Independent School District did not have any investments subject to the fair value measurement.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

**B. 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 located in the District 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 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

**C. DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on 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.

**D. INTERFUND BALANCES AND TRANSFERS**

As of August 31, 2017, the District's interfund balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Description</u>
Agency Fund	General	2,984	Short-term loan
Debt Service	General	1,593,953	Short-term loan
Capital Projects	General	363,399	Short-term loan
Special Revenue	General	12,516	Short-term loan
General Fund	Special Revenue	185,046	Short-term loan
General Fund	General	1,294,036	Short-term loan
		<u>\$ 3,451,934</u>	

Interfund transfers are defined as "flow of assets without equivalent flows of assets in return and without requirement of repayment." Interfund transfers for the year ended August 31, 2016, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>
<u>General Fund</u>	<u>General Fund</u>
	<u>\$ 300,000</u>
	<u>\$ 300,000</u>

LUMBERTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 AUGUST 31, 2017

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

**E. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended August 31, 2017, was as follows:

	Beginning Balance			Ending Balance
	9/1/2016	Additions	Retirements	8/31/2017
Governmental Activities				
Land	\$ 591,954	\$ -	\$ -	\$ 591,954
Building and Facilities	70,234,038	1,937,927	-	72,171,965
Furniture and Equipment	10,007,308	352,588	-	10,359,896
Construction in Progress	1,284,438	-	(1,284,438)	-
Total Historical Cost	<u>\$ 82,117,738</u>	<u>\$ 2,290,515</u>	<u>\$ (1,284,438)</u>	<u>\$ 83,123,815</u>
Less: Accumulated Depreciation				
Buildings and Facilities	\$(36,965,365)	\$ (1,571,619)	\$ -	\$(38,536,984)
Furniture and Equipment	(8,857,903)	(390,262)	-	(9,248,165)
Total Accumulated Depreciation	<u>(45,823,268)</u>	<u>(1,961,881)</u>	<u>-</u>	<u>(47,785,149)</u>
Governmental Activities Capital Assets, Net	<u>\$ 36,294,470</u>	<u>\$ 328,634</u>	<u>\$ (1,284,438)</u>	<u>\$ 35,338,666</u>

Depreciation was allocated as follows:

Function Description	Amount
Instruction	\$1,184,956
Instructional Resources	\$18,851
Curriculum	\$2,279
Instructional Leadership	\$51,086
School Leadership	\$103,526
Guidance	\$81,965
Health Services	\$15,976
Transportation	\$86,585
Food Services	\$86,365
Cocurricular/Extracurricular Activities	\$69,429
Plant Maintenance	\$228,234
Security and Monitoring	\$10,041
Data Processing	\$21,952
Community Services	\$636
Total Depreciation Expense	<u>\$1,961,881</u>

LUMBERTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 AUGUST 31, 2017

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

**F. BONDS AND LONG-TERM NOTESPAYABLE**

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended August 31, 2017 is as follows:

Description	Interest Rate	Amounts Original Issue	Balance 9/1/2016	Issued	Retired	Balance 8/31/2017	Due in One Year
Unlimited Refunding Bond, Series 2015	1.0% - 2.00%	\$ 5,650,000	\$ 5,650,000	\$ -	\$ (1,465,000)	\$ 4,185,000	\$ 1,480,000
Maintenance Tax Note, Series 2012	1.0% - 2.50%	2,590,000	1,970,000	-	(310,000)	1,660,000	320,000
Maintenance Tax Note, Series 2014	1.0% - 2.00%	940,000	570,000	-	(185,000)	385,000	190,000
Maintenance Tax Note, Series 2016	2.21%	945,000	945,000	-	-	945,000	-
Mercedes-Benz Financial Services	2.69%	2,550,000	76,309	-	-	76,309	76,309
<b>Total</b>			<u>\$ 9,211,309</u>	<u>\$ -</u>	<u>\$ (1,960,000)</u>	<u>\$ 7,251,309</u>	<u>\$ 2,066,309</u>
Other District Obligations:							
Premium on Bonds			108,307		21,662	86,645	
Total Other Obligations			<u>108,307</u>	<u>-</u>	<u>21,662</u>	<u>86,645</u>	<u>-</u>
Total District Obligations			<u>\$ 9,319,616</u>	<u>\$ -</u>	<u>\$ (1,938,338)</u>	<u>\$ 7,337,954</u>	<u>\$ 2,066,309</u>

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2017.

Debt service requirements for bonds are as follows:

Year Ending August 31	Principal	Interest	Total
2018	2,066,309	148,520	2,214,829
2019	2,180,000	124,894	2,304,894
2020	1,065,000	92,790	1,157,790
2021	1,100,000	59,355	1,159,355
2022	505,000	37,540	542,540
2023-2024	335,000	30,725	365,725
<b>Total</b>	<u>\$ 7,251,309</u>	<u>\$ 493,824</u>	<u>\$ 7,745,133</u>

### **III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

#### **G. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS**

The District does not accrue unpaid sick leave benefits.

#### **H. DEFINED BENEFIT PENSION PLAN**

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

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

**Pension Plan Fiduciary Net Position.** Detailed 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 <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.

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

**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 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

	<u>Contribution Rates</u>	
	<u>2016</u>	<u>2017</u>
Member	7.2%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2016 Employer Contributions	\$	554,344
District's 2016 Member Contributions	\$	1,321,091
District's 2016 NECE On-Behalf Contributions	\$	1,073,759

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. 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, 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 including public 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 source or a privately sponsored source.

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 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.

**Actuarial Assumptions.** The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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



**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

**Discount Rate.** The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

\* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$ 9,313,659	\$ 6,017,885	\$ 3,222,403

LUMBERTON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2017

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

At August 31, 2017, Lumberton Independent School District reported a liability of \$6,017,885 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Lumberton Independent School District. The amount recognized by Lumberton Independent School 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 Lumberton Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 6,017,885
State's proportionate share that is associated with the District	<u>12,745,349</u>
Total	<u>\$ 2,507,085</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.000159251710% which was an s\decrease of 0.000002178710% from its proportion measured as of August 31, 2015.

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

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

For the year ended August 31, 2017, Lumberton Independent School District recognized pension expense of \$1,073,759 and revenue of \$1,073,759 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2017, Lumberton Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	94,359	179,691
Changes in actual assumptions	183,414	166,808
Difference between projected and actual investment earnings	509,582	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,828,611	369
Contributions paid to TRS subsequent to the measurement date	554,344	-
Total	\$ 3,170,310	\$ 346,868

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

<u>Year ended August 31:</u>	<u>Pension Expense</u>
2018	409,283
2019	734,319
2020	384,304
2021	277,869
Thereafter	54,042

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

**I. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES**

**Retiree Health Care Coverage**

**Plan Description.** Lumberton Independent School District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retire under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Texas Insurance Code Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by phoning the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet Website, [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading.

**Funding Policy.** Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The Contribution Rate for the State was 1.00% for 2014, 2015 and 2016. The contribution rate for the district was 0.55% for each of these three years. The contribution rate for active employees was 0.65% of the district payroll for each of the three years. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribution 1.0 %.

**Contributions.** Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf of the District's employees as well as the District's required contributions and federal grant program contributions for the years ended August 31, 2017, 2016 and 2015 are as follows:

Year	Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2017	0.65%	\$126,281	1.00%	\$194,278	0.55%	\$106,853
2016	0.65%	\$123,539	1.00%	\$19,025	0.55%	\$104,536
2015	0.65%	\$115,590	1.00%	\$177,831	0.55%	\$97,807

**Medicare Part D.** The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2017, 2016, and 2015 the subsidy payments received by TRS-Care on-behalf of the District were \$59,154, \$75,456, and \$74,009 respectively. The information for the year ended August 31, 2016 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

**J. UNAVAILABLE/UNEARNED REVENUE**

Unavailable revenue at year end consisted of the following:

	General Fund	Debt Service Fund	Total
Property Taxes	\$ 624,167	\$ 67,197	\$ 691,364
Total Unavailable Revenue	<u>\$ 624,167</u>	<u>\$ 67,197</u>	<u>\$ 691,364</u>

**K. DUE FROM STATE AGENCIES**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2017, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

Due from State agencies:			
Fund	State Entitlements	Federal Grants	Total
General Fund	\$ 648,011	\$ -	\$ 648,011
Special Revenue	-	571,590	571,590
Total	<u>\$ 648,011</u>	<u>\$ 571,590</u>	<u>\$ 1,219,601</u>

**L. LITIGATION**

None.

**M. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 7, 2017 and did not reveal any instance that requires disclosure.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

**N. FUND BALANCE**

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

- Non-Spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The District has \$0 classified as Non Spendable
- Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The District has \$326,363 classified as Restricted.
- Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. The district has \$0 classified as Committed.
- Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The District has \$0 classified as Assigned.
- Unassigned includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds. The District has \$4,934,154 classified as Unassigned.

The elected board of trustees, for the entity, has the authority to commit, assign, and restrict fund balances. In some instances a restriction is a result of meeting contractual or otherwise legal requirements, for example debt service requirements contained in the bond covenant.

**O. SHARED SERVICE ARRANGEMENTS**

The District is the fiscal agent for three Shared Service Arrangements (SSA) which provide educational services to member districts in addition to the District, other member districts include Kountze ISD and West Hardin ISD. All services are provided by the fiscal agent. The member districts and federal and state sources provide the funding of the fiscal agent.

According to guidance provided in TEA's Resource Guide, the District accounts for the SSA's in the following funds and expenditures are as follows:

	313	314	437
	<u>Idea B Formula</u>	<u>Idea B Formula</u>	<u>Plan A Special Education</u>
Lumberton ISD	304,960	-	509,645
Kountze ISD	304,734	14,937	357,542
West Hardin ISD	251,344	-	297,679
	<u>\$ 861,038</u>	<u>\$ 14,937</u>	<u>\$ 1,164,866</u>

REQUIRED SUPPLEMENTARY INFORMATION

LUMBERTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 11,110,171	\$ 11,213,671	\$ 11,756,566	\$ 542,895
5800	State Program Revenues	18,015,000	18,015,000	17,733,146	(281,854)
5900	Federal Program Revenues	175,000	305,000	312,710	7,710
5020	Total Revenues	29,300,171	29,533,671	29,802,422	268,751
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	16,669,851	16,672,851	16,713,280	(40,429)
0012	Instructional Resources and Media Services	280,758	290,758	292,875	(2,117)
0013	Curriculum and Instructional Staff Development	45,186	46,186	35,408	10,778
0021	Instructional Leadership	222,655	222,655	206,765	15,890
0023	School Leadership	1,668,314	1,668,314	1,601,204	67,110
0031	Guidance, Counseling and Evaluation Services	566,425	586,425	591,346	(4,921)
0033	Health Services	216,818	244,818	248,212	(3,394)
0034	Student (Pupil) Transportation	1,509,747	1,509,747	1,345,209	164,538
0036	Extracurricular Activities	908,965	1,070,965	1,078,661	(7,696)
0041	General Administration	974,709	965,460	969,982	(4,522)
0051	Facilities Maintenance and Operations	3,912,013	3,847,013	3,545,907	301,106
0052	Security and Monitoring Services	247,500	177,500	156,003	21,497
0053	Data Processing Services	324,087	349,087	341,060	8,027
0061	Community Services	-	10,000	9,861	139
Debt Service:					
0071	Principal on Long Term Debt	567,000	495,000	495,000	-
0072	Interest on Long Term Debt	-	72,000	70,882	1,118
Capital Outlay:					
0081	Facilities Acquisition and Construction	200,000	589,249	589,249	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	584,643	611,143	611,079	64
0095	Payments to Juvenile Justice Alternative Ed. Prg.	26,500	26,500	26,481	19
0099	Other Intergovernmental Charges	375,000	378,000	377,391	609
6030	Total Expenditures	29,300,171	29,833,671	29,305,855	527,816
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(300,000)	496,567	796,567
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	-	589,006	300,000	(289,006)
8911	Transfers Out (Use)	-	(589,006)	(300,000)	289,006
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balances	-	(300,000)	496,567	796,567
0100	Fund Balance - September 1 (Beginning)	4,437,587	4,437,587	4,437,587	-
3000	Fund Balance - August 31 (Ending)	\$ 4,437,587	\$ 4,137,587	\$ 4,934,154	\$ 796,567

LUMBERTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2017

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.000159252%	0.0157073%	0.0079287%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 6,017,885	\$ 5,552,321	\$ 2,117,866
Total	<u>\$ 6,017,885</u>	<u>\$ 5,552,321</u>	<u>\$ 2,117,866</u>
District's Covered-Employee Payroll	\$ 10,705,014	\$ 12,145,556	\$ 10,705,014
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only three years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."



LUMBERTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR FISCAL YEAR 2017

	2017	2016	2015
Contractually Required Contribution	\$ 554,344	\$ 505,754	\$ 446,598
Contribution in Relation to the Contractually Required Contribution	554,343	505,754	446,598
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 19,427,812	\$ 19,006,120	\$ 17,783,133
Contributions as a Percentage of Covered-Employee Payroll	2.85%	2.66%	2.51%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

LUMBERTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
AUGUST 31, 2017

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*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 in the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

## T.E.A. REQUIRED SCHEDULES

LUMBERTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2017

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ Various
2009	1.040000	0.090000	769,078,673
2010	1.040000	0.102500	822,175,142
2011	1.040000	0.102500	866,043,589
2012	1.040000	0.122500	894,559,054
2013	1.040000	0.120000	930,111,120
2014	1.040000	0.120000	96,807,586
2015	1.040000	0.120000	1,036,056,034
2016	1.040000	0.120000	1,019,888,434
2017 (School year under audit)	1.040000	0.120000	1,072,493,401
1000 TOTALS			

(10) Beginning Balance 9/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2017
\$ 168,153	\$ -	\$ 800	\$ 69	\$ (13,856)	\$ 153,428
27,342	-	689	60	-	26,593
31,662	-	1,189	117	-	30,356
38,364	-	4,171	411	-	33,782
49,658	-	7,653	901	-	41,104
77,615	-	12,708	1,466	(539)	62,902
84,696	-	14,901	1,719	(2,367)	65,709
121,162	-	24,590	2,837	(1,305)	92,430
219,840	-	94,063	10,853	(8,832)	106,092
-	12,440,923	10,931,634	1,261,342	(29,169)	218,778
<u>\$ 818,492</u>	<u>\$ 12,440,923</u>	<u>\$ 11,092,398</u>	<u>\$ 1,279,775</u>	<u>\$ (56,068)</u>	<u>\$ 831,174</u>

LUMBERTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ 1,240,461	\$ 688,941	\$ (551,520)
5800	State Program Revenues	-	-	6,863	6,863
5900	Federal Program Revenues	1,825,461	585,000	524,554	(60,446)
5020	Total Revenues	1,825,461	1,825,461	1,220,358	(605,103)
EXPENDITURES:					
0035	Food Services	1,824,996	1,825,461	1,341,794	483,667
6030	Total Expenditures	1,824,996	1,825,461	1,341,794	483,667
1200	Net Change in Fund Balances	465	-	(121,436)	(121,436)
0100	Fund Balance - September 1 (Beginning)	-	205,739	205,739	-
3000	Fund Balance - August 31 (Ending)	\$ 465	\$ 205,739	\$ 84,303	\$ (121,436)

LUMBERTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 1,273,400	\$ 1,273,400	\$ 1,294,527	\$ 21,127
5800	State Program Revenues	347,000	347,000	92,971	(254,029)
5020	Total Revenues	1,620,400	1,620,400	1,387,498	(232,902)
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	1,541,225	1,465,000	1,465,001	(1)
0072	Interest on Long Term Debt	-	76,225	76,225	-
0073	Bond Issuance Cost and Fees	-	79,175	500	78,675
6030	Total Expenditures	1,541,225	1,620,400	1,541,726	78,674
1200	Net Change in Fund Balances	79,175	-	(154,228)	(154,228)
0100	Fund Balance - September 1 (Beginning)	-	321,990	321,990	-
3000	Fund Balance - August 31 (Ending)	\$ 79,175	\$ 321,990	\$ 167,762	\$ (154,228)

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



# MITCHELL T. FONTENOTE

## CERTIFIED PUBLIC ACCOUNTANT, INC.

December 7, 2017

### **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***

Lumberton Independent School District  
Lumberton, Texas 77657

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 the Lumberton Independent School District, as of and for the year ended August 31 2017, and the related notes to the financial statements, which collectively comprise the Lumberton Independent School District's basic financial statements, and have issued our report thereon dated December 7, 2017.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Lumberton 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 Lumberton Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lumberton Independent School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Lumberton 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.

*Mitchell T Fontenote CPA, Inc.*

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MITCHELL@MTFCPAS.COM

# MITCHELL T. FONTENOTE

## CERTIFIED PUBLIC ACCOUNTANT, INC.

December 7, 2017

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees  
Lumberton Independent School District  
Lumberton, Texas

#### **Report on Compliance for Each Major Federal Program**

We have audited the Lumberton Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Lumberton Independent School District's major federal programs for the year ended August 31, 2017. Lumberton Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Lumberton Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lumberton Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Lumberton Independent School District's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the Lumberton Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

**Report on Internal Control over Compliance**

Management of the Lumberton Independent School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Lumberton Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lumberton Independent School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Mitchell T Fontenote CPA, Inc.*

LUMBERTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 AUGUST 31, 2017

**A. Summary of Auditor's Results**

1. Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

Significant deficiencies identified that are not considered to be material weaknesses?

\_\_\_\_\_ Yes   X   None Reported

Noncompliance material to financial statements noted:

\_\_\_\_\_ Yes   X   No

2. Federal and State Awards

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes   X   No

Significant deficiencies identified that are not considered to be material weaknesses?

\_\_\_\_\_ Yes   X   None Reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance and the State of Texas Single Audit Circular?

\_\_\_\_\_ Yes   X   None Reported

Identification of major federal and state programs:

CFDA #	Name of Federal Program or Cluster
84.0100	Title I
84.027	IDEA B

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

Auditee qualified as low-risk auditee?

  X   Yes \_\_\_\_\_ No

**B. Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards.**

There are no findings to be reported.

**C. Findings and Questioned Costs for Federal and State Awards.**

There are no findings and questioned costs to be reported.

LUMBERTON INDEPENDENT SCHOOL DISTRICT

PRIOR AUDIT FINDINGS

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AUGUST 31, 2017

None.

None.

LUMBERTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2017

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101100907	\$ 303,061
*SSA - IDEA - Part B, Formula	84.027	176600011009076600	1,038,288
*IDEA - Part B, Discretionary	84.027	176600061009076680	85,009
Total CFDA Number 84.027			<u>1,123,297</u>
Total Special Education Cluster (IDEA)			<u>1,123,297</u>
Career and Technical - Basic Grant	84.048	17420006100907	31,426
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17694501100907	71,679
Total Passed Through State Department of Education			<u>1,529,463</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>1,529,463</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		298,564
Total Passed Through Texas Dept of Human Services			<u>298,564</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>298,564</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		97,876
*National School Lunch Program - Cash Assistance	10.555		426,678
Total Child Nutrition Cluster			<u>524,554</u>
Total Passed Through the State Department of Agriculture			<u>524,554</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>524,554</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 2,352,581</u>

\*Clustered Programs

LUMBERTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AUGUST 31, 2017

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- The District accounts for all awards under federal programs in the General and certain Special Revenue funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*.
- Special Revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state awards generally are accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of specified grant periods.
- These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenue and other financing resources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgements, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenues until earned. The accompanying schedule of expenditures of federal awards is presented on the modified accrual basis of accounting.

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extends 30 days beyond the federal project period ending date.
- The District participates in numerous state and federal 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 adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectibility of any related receivable at August 31, 2017, may be impaired.



SCHOOLS FIRST QUESTIONNAIRE

Lumberton Independent School District

Fiscal Year 2017

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 on the financial statements as a whole?	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 government agencies?	Yes
SF8	Did the school district not 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	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	-0-
SF11	Net Pension Assets (1920) at fiscal year-end.	-0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	6,017,885
SF13	Pension Expense (6147) at fiscal year-end.	