

**LOUISE  
INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2020**

LOUISE INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2020

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## **Introductory Section**



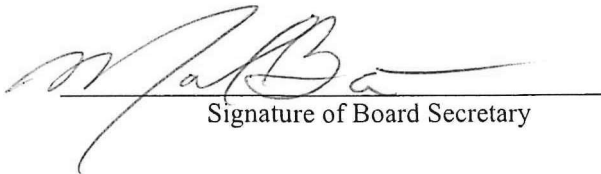
CERTIFICATE OF BOARD


Louise Independent School District  
Name of School District

Wharton  
County

241-906  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2020, at a meeting of the board of trustees of such school district on the 26<sup>th</sup> day of October, 2020.

  
\_\_\_\_\_  
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)

## **Financial Section**



# Roloff, Hnatek & Co., L.L.P.

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## Independent Auditors' Report

Board of Trustees  
Louise Independent School District  
P.O. Box 97  
Louise, Texas 77455

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louise Independent School District as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluation 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 Louise Independent School District, as of August 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 10 through 16, the budgetary comparison information on page 51, the information related to the District's pension plan on pages 52 through 55, and the information related to the District's other post-employment benefits on pages 56 and 57, 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 Louise Independent School District's basic financial statements. The accompanying supplementary information on pages 61 through 64 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2020, on our consideration of Louise Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and 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 Louise Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Roloff, Hnatek & Co., L.L.P.

October 20, 2020

## **Management's Discussion and Analysis (Unaudited)**

LOUISE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED AUGUST 31, 2020

As management of Louise Independent School District ("District"), we offer readers as an introduction to the District's financial statements, this narrative overview and analysis of the District's activities and financial performance for the year ended August 31, 2020. This discussion and analysis is designed to assist readers in concentrating on the significant financial issues and activities and to identify any significant changes in financial position. All amounts, unless otherwise indicated, are expressed in whole dollars.

## FINANCIAL HIGHLIGHTS

- The net position of the District at August 31, 2020 was \$4,015,565.
- The District's total net position increased as a result of current year operations by \$96,990, or 2%, from the prior year.
- The general fund had a fund balance of \$2,170,557 at August 31, 2020, an increase of \$101,914, or 5%, from the prior year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how the general government services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund statements*, if any, offer *short-term* and *long-term* financial information about the activities the government operates like businesses. The District did not have any proprietary funds during the year.
- *Fiduciary fund statements*, if any, provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

The table on the following page summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements. As stated earlier, the District did not have any proprietary funds during the year.

LOUISE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED AUGUST 31, 2020

**Major Features of the District's Government-wide and Fund Financial Statements**

Features	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	Statement of net position	Balance sheet	Statement of net position	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses, and changes in fund net position Statement of cash flows	Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide Statements**

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

The two government-wide statements report the District's net position and how it has changed. Net position is the difference between the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, and is one way to measure the District's financial health or 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 non-financial factors such as changes in the District's tax base.

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



LOUISE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED AUGUST 31, 2020

### **Fund Financial Statements**

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

- Some funds are required by State law and by bond covenants, if any.
- The Board of Trustees establishes other funds to control and manage money for particular purposes, or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted into cash flow in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's operations. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds* - The District is the trustee, or fiduciary, for certain funds such as club and class funds and payroll withholding funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

### **Other Supplementary Information**

In addition to the financial statements and accompanying notes, this report also presents certain *other supplementary information* on property taxes, indirect costs, fund balance, budgetary information and other reports required by Texas Education Agency and/or *Government Auditing Standards*.

### **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

One fundamental question that is most asked of an entity is, as a whole "Are you better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the District's activities in a way that should help answer this question. These two statements report the net position of the District and changes therein. The District's net position (the difference between assets and liabilities) can be thought of as a way to measure the financial health of the District. Over time, increases or decreases in the District's net position are indicators of whether its financial health is improving or deteriorating. However, you will need to consider other information that is non-financial in nature, such as changes in economic conditions, demographic information, mandated state and federal regulations, and new or changed government legislation.

LOUISE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED AUGUST 31, 2020

**Statement of Net Position**

The statement of net position serves as a useful indicator over time of the District's financial position. It distinguishes assets plus deferred outflows of resources and liabilities plus deferred inflows of resources as to their expected use for current operations and capital investment. The District's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources at the close of fiscal year 2020 by \$4,015,565. The following condensed Statement of Net Position provides an overview of the District's net position as of August 31, 2020 and 2019.

	Governmental Activities		\$ Change	% Change
	2020	2019	2020 - 2019	2020 - 2019
<b>Assets:</b>				
Capital Assets	\$ 5,829,260	\$ 5,746,407	\$ 82,853	1%
Other Assets	2,902,740	2,583,322	319,418	12%
Total Assets	8,732,000	8,329,729	402,271	5%
<b>Deferred Outflows of Resources</b>	1,413,526	1,618,469	(204,943)	(13%)
<b>Liabilities:</b>				
Current Liabilities	505,432	170,413	335,019	197%
Non-Current Liabilities	3,995,156	5,005,997	(1,010,841)	(20%)
Total Liabilities	4,500,588	5,176,410	(675,822)	(13%)
<b>Deferred Inflows of Resources</b>	1,629,373	853,213	776,160	91%
<b>Net Position:</b>				
Net Investment in Capital Assets	4,744,260	4,479,305	264,955	6%
Restricted	30,209	36,784	(6,575)	(18%)
Unrestricted	(758,904)	(597,514)	(161,390)	(27%)
Total Net Position	\$ 4,015,565	\$ 3,918,575	\$ 96,990	2%

A portion of the District's net position (\$4,744,260) reflects its investment in capital assets (e.g., land, buildings, vehicles, and furniture and equipment) less the remaining balance of the related debt, if any, used to acquire those assets. The District uses these capital assets to provide services to its students and, consequently, these assets are not available for future spending. Another category of restricted net position is used for debt service, construction, and local grants and makes up a small portion of the District's net position (\$30,209). The remaining balance represents the District's unrestricted net position.

LOUISE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED AUGUST 31, 2020

**Statement of Activities**

The statement of activities serves as a measure to determine how successful the District was during the past year in recovering its costs through property taxes, state and federal grants, charges for services and other revenues. The following condensed statement of activities summarizes the operations of the District for the years ended August 31, 2020 and 2019.

	Governmental Activities		\$ Change	% Change
	2020	2019	2020 - 2019	2020 - 2019
<b>Program Revenues:</b>				
Charges for Services	\$ 91,378	\$ 100,544	\$ (9,166)	(9%)
Operating Grants and Contributions	1,124,882	809,670	315,212	39%
<b>General Revenues:</b>				
Property Taxes	2,986,280	3,149,965	(163,685)	(5%)
State Aid – Formula	3,108,098	2,282,469	825,629	36%
Investment Earnings	41,592	50,309	(8,717)	(17%)
Other	156,374	282,905	(126,531)	(45%)
Total Revenues	<u>7,508,604</u>	<u>6,675,862</u>	<u>832,742</u>	12%
<b>Expenses:</b>				
Instruction	4,122,038	3,651,941	470,097	13%
Instructional Resources and Media Services	44,857	41,921	2,936	7%
Curriculum and Staff Development	21,355	28,541	(7,186)	(25%)
School Leadership	456,037	451,072	4,965	1%
Guidance, Counseling, and Evaluation Services	87,963	81,190	6,773	8%
Health Services	43,899	38,694	5,205	13%
Student (Pupil) Transportation	298,968	303,924	(4,956)	(2%)
Food Services	276,339	291,090	(14,751)	(5%)
Extracurricular Activities	335,809	339,629	(3,820)	(1%)
General Administration	642,805	505,833	136,972	27%
Facilities Maintenance and Operations	834,912	776,578	58,334	8%
Security and Monitoring Services	84,903	21,257	63,646	299%
Data Processing Services	36,835	38,486	(1,651)	(4%)
Interest on Long-Term Debt	34,859	38,792	(3,933)	(10%)
Bond Issuance Costs and Fees	64	-	64	N/A
Capital Outlay	-	4,503	(4,503)	(100%)
Payments Related to Shared Svcs. Arrangements	89,971	69,759	20,212	29%
Total Expenses	<u>7,411,614</u>	<u>6,683,210</u>	<u>728,404</u>	11%
<b>Increase (Decrease) in Net Position</b>	<u>\$ 96,990</u>	<u>\$ (7,348)</u>	<u>\$ 104,338</u>	

The District's total revenues and expenses increased by 12% and 11%, respectively. The District's most significant increase in revenues were from operating grants and contributions and state-aid, while there were significant decreases in property taxes and other general revenues. The most significant increase in expenses occurred in the functional categories of instruction, general administration, facilities maintenance and operations, and security and monitoring services, while there were no significant decreases. The fiscal year operations resulted in an increase in net position of \$96,990.

LOUISE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED AUGUST 31, 2020

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$7,267,607 an increase of approximately 14% from the preceding year. Local revenues decreased by approximately 8% while total state and federal revenues increased by approximately 42%. Expenditures from governmental fund types totaled \$7,274,440, an increase of approximately 13% from the preceding year. There were significant increases in the functional categories of instruction, student (pupil) transportation, general administration, facilities, maintenance and operations, security monitoring services, and facilities acquisition and construction, while there no significant decreases.

### General Fund Budgetary Highlights

Over the course of the year, the District revised its general fund budget several times. Budgeted revenues and expenditures were significantly changed by the amendments as follows:

- Local and Intermediate Sources - The budget was increased primarily due to property taxes being more than anticipated.
- Function 11 (Instruction), Function 41 (General Administration), and Function 51 (Facilities Maintenance and Operations) – The budget was increased to allow for unexpected increases in various operating costs.
- Function 81 (Facilities Acquisition and Construction) - The budget was increased to allow for additional capital purchases.

Total actual revenues were \$33,201 more than the final budgeted amount due primarily to local and intermediate sources being more than anticipated. Total actual expenditures were \$232,819 below final budget amounts due primarily to large favorable variances in functions 11 (Instruction) and 51 (Facilities Maintenance and Operations) combined with other less significant favorable budget variances. The favorable variance in function 11 is primarily due to wages and the related benefits being less than anticipated. The favorable variance in function 51 is primarily due to utilities being less than anticipated.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The District's investment in capital assets as of August 31, 2020 was \$5,829,260 (net of accumulated depreciation). This investment in capital assets includes school facilities, machinery and equipment, furniture, and vehicles. This amount represents a net increase (including additions, deletions, and depreciation expense) of \$82,853 from fiscal year 2019. Additional information regarding the District's capital assets can be found in Note C to the financial statements. The following table summarizes the District's capital assets (net of accumulated depreciation) as of August 31, 2020 and 2019.

	Governmental Activities		\$ Change	% Change
	2020	2019	2020 - 2019	2020 - 2019
Land	\$ 223,407	\$ 223,407	\$ -	0%
Buildings and Improvements	10,573,807	10,261,289	312,518	3%
Vehicles, Furniture and Equipment	1,466,430	1,343,257	123,173	9%
Totals at Historical Cost	12,263,644	11,827,953	435,691	4%
Total Accumulated Depreciation	(6,434,384)	(6,081,546)	(352,838)	6%
Net Capital Assets	<u>\$ 5,829,260</u>	<u>\$ 5,746,407</u>	<u>\$ 82,853</u>	1%

LOUISE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED AUGUST 31, 2020

**Long-term Obligations**

As of August 31, 2020, the District had long-term debt outstanding of \$1,085,000. This amount is comprised of maintenance tax notes. Additional information regarding the District's long-term debt can be found in Note E to the financial statements. The following table summarizes the District's long-term debt outstanding at August 31, 2020 and 2019.

	Governmental Activities		\$ Change	% Change
	2020	2019	2020 - 2019	2020 - 2019
Maintenance Tax Notes	\$ 1,085,000	\$ 1,245,000	\$ (160,000)	(13%)
Capital Lease	-	22,102	(22,102)	(100%)
Total Long-Term Debt	<u>\$ 1,085,000</u>	<u>\$ 1,267,102</u>	<u>\$ (182,102)</u>	(14%)

**ECONOMIC OUTLOOK**

The District has adopted a property tax rate of \$1.0547 for FYE 2021 based on its approved budget and total assessed taxable property values. The total assessed property tax value used for the fiscal year 2021 budget increased by approximately 4% from that of 2020. The District's average daily attendance is expected to be approximately 470 for the FYE 2021. These factors were taken into consideration when adopting the general fund budget for fiscal year 2021.

**REQUESTS FOR INFORMATION**

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

## **Basic Financial Statements**

LOUISE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2020

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 2,667,290
1120 Current Investments	717
1220 Property Taxes - Delinquent	286,592
1230 Allowance for Uncollectible Taxes	(88,436)
1240 Due from Other Governments	36,577
Capital Assets:	
1510 Land	223,407
1520 Buildings, Net	5,277,310
1530 Furniture and Equipment, Net	328,543
1000 Total Assets	8,732,000
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1702 Deferred Outflow - State Foundation Program	260,403
1705 Deferred Outflow Related to TRS Pension	645,276
1706 Deferred Outflow Related to TRS OPEB	507,847
1700 Total Deferred Outflows of Resources	1,413,526
<b>LIABILITIES</b>	
2110 Accounts Payable	30,482
2140 Interest Payable	1,414
2160 Accrued Wages Payable	132,580
2180 Due to Other Governments	340,941
2190 Due to Student Groups	15
Noncurrent Liabilities:	
2501 Due Within One Year	75,000
2502 Due in More Than One Year	1,010,000
2540 Net Pension Liability (District's Share)	1,039,092
2545 Net OPEB Liability (District's Share)	1,871,064
2000 Total Liabilities	4,500,588
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	261,891
2606 Deferred Inflow Related to TRS OPEB	1,367,482
2600 Total Deferred Inflows of Resources	1,629,373
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	4,744,260
3850 Restricted for Debt Service	7,253
3890 Restricted for Other Purposes	22,956
3900 Unrestricted	(758,904)
3000 Total Net Position	\$ 4,015,565

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	6 Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 4,122,038	\$ -	\$ 745,393	\$ (3,376,645)
12 Instructional Resources and Media Services	44,857	-	4,039	(40,818)
13 Curriculum and Instructional Staff Development	21,355	-	444	(20,911)
23 School Leadership	456,037	-	47,207	(408,830)
31 Guidance, Counseling and Evaluation Services	87,963	-	10,720	(77,243)
33 Health Services	43,899	-	4,560	(39,339)
34 Student (Pupil) Transportation	298,968	-	19,601	(279,367)
35 Food Services	276,339	63,365	177,991	(34,983)
36 Extracurricular Activities	335,809	18,213	16,420	(301,176)
41 General Administration	642,805	9,800	40,333	(592,672)
51 Facilities Maintenance and Operations	834,912	-	44,405	(790,507)
52 Security and Monitoring Services	84,903	-	13,769	(71,134)
53 Data Processing Services	36,835	-	-	(36,835)
72 Debt Service - Interest on Long-Term Debt	34,859	-	-	(34,859)
73 Debt Service - Bond Issuance Cost and Fees	64	-	-	(64)
93 Payments Related to Shared Services Arrangements	89,971	-	-	(89,971)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 7,411,614	\$ 91,378	\$ 1,124,882	(6,195,354)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			2,986,129
DT	Property Taxes, Levied for Debt Service			151
SF	State Aid - Formula Grants			3,108,098
IE	Investment Earnings			41,592
MI	Miscellaneous Local and Intermediate Revenue			156,374
TR	Total General Revenues			6,292,344
CN	Change in Net Position			96,990
NB	Net Position - Beginning			3,918,575
NE	Net Position - Ending			\$ 4,015,565

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



LOUISE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2020

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 2,632,951	\$ 34,339	\$ 2,667,290
1120 Investments - Current	717	-	717
1220 Property Taxes - Delinquent	281,652	4,940	286,592
1230 Allowance for Uncollectible Taxes	(86,912)	(1,524)	(88,436)
1240 Due from Other Governments	-	36,577	36,577
1260 Due from Other Funds	35,260	112	35,372
1000 Total Assets	<u>\$ 2,863,668</u>	<u>\$ 74,444</u>	<u>\$ 2,938,112</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 30,160	\$ 322	\$ 30,482
2160 Accrued Wages Payable	127,144	5,436	132,580
2170 Due to Other Funds	112	35,260	35,372
2180 Due to Other Governments	340,941	-	340,941
2190 Due to Student Groups	15	-	15
2000 Total Liabilities	<u>498,372</u>	<u>41,018</u>	<u>539,390</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	194,739	3,416	198,155
2600 Total Deferred Inflows of Resources	<u>194,739</u>	<u>3,416</u>	<u>198,155</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	6,942	6,942
3490 Other Restricted Fund Balance	-	22,956	22,956
Committed Fund Balance:			
3510 Construction	750,000	112	750,112
3600 Unassigned Fund Balance	1,420,557	-	1,420,557
3000 Total Fund Balances	<u>2,170,557</u>	<u>30,010</u>	<u>2,200,567</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,863,668</u>	<u>\$ 74,444</u>	<u>\$ 2,938,112</u>

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

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

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 2,200,567</b>
1 Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	5,829,260
2 Long-term debt obligations are not due and payable in the current period, therefore, are not reported as liabilities in the governmental funds. Long-term obligations at year-end consist of: maintenace tax notes of \$1,085,000.	(1,085,000)
3 Accrued interest is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,414)
4 Property taxes are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.	198,155
5 State Foundation Program revenues receivable, but not yet available, are not financial resources and, therefore, are not reported in the governmental funds.	260,403
6 The District's proportionate share of the net pension liability of \$1,039,092, deferred inflow of resources of \$261,891, and deferred outflow of resources of \$645,276 related to the net pension liability do not require the use of current financial resources; therefore, they are not reported as expenditures in the governmental funds.	(655,707)
7 The District's proportionate share of the net OPEB liability of \$1,871,064, deferred inflow of resource of \$1,367,482, and deferred outflow of resources of \$507,847 related to the net OPEB liability do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds.	(2,730,699)
<b>19 Net Position of Governmental Activities</b>	<b>\$ 4,015,565</b>

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

LOUISE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 3,207,593	\$ 80,819	\$ 3,288,412
5800 State Program Revenues	3,425,979	108,930	3,534,909
5900 Federal Program Revenues	7,081	437,205	444,286
5020 Total Revenues	<u>6,640,653</u>	<u>626,954</u>	<u>7,267,607</u>
EXPENDITURES:			
Current:			
0011 Instruction	3,339,839	358,230	3,698,069
0012 Instructional Resources and Media Services	38,757	-	38,757
0013 Curriculum and Instructional Staff Development	20,124	-	20,124
0023 School Leadership	399,449	-	399,449
0031 Guidance, Counseling, and Evaluation Services	80,993	-	80,993
0033 Health Services	40,934	-	40,934
0034 Student (Pupil) Transportation	270,796	87,473	358,269
0035 Food Services	-	261,514	261,514
0036 Extracurricular Activities	234,696	-	234,696
0041 General Administration	602,701	-	602,701
0051 Facilities Maintenance and Operations	854,253	19,093	873,346
0052 Security and Monitoring Services	46,906	34,994	81,900
0053 Data Processing Services	36,835	-	36,835
Debt Service:			
0071 Principal on Long-Term Debt	182,102	-	182,102
0072 Interest on Long-Term Debt	35,027	-	35,027
0073 Bond Issuance Cost and Fees	-	64	64
Capital Outlay:			
0081 Facilities Acquisition and Construction	239,689	-	239,689
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	89,971	-	89,971
6030 Total Expenditures	<u>6,513,072</u>	<u>761,368</u>	<u>7,274,440</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>127,581</u>	<u>(134,414)</u>	<u>(6,833)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	50,667	50,667
8911 Transfers Out (Use)	(25,667)	(25,000)	(50,667)
7080 Total Other Financing Sources (Uses)	<u>(25,667)</u>	<u>25,667</u>	<u>-</u>
1200 Net Change in Fund Balances	101,914	(108,747)	(6,833)
0100 Fund Balance - September 1 (Beginning)	<u>2,068,643</u>	<u>138,757</u>	<u>2,207,400</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,170,557</u>	<u>\$ 30,010</u>	<u>\$ 2,200,567</u>

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

LOUISE 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, 2020

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (6,833)</b>
Governmental funds report capital outlay as expenditures; however, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. Current year capital outlay, depreciation expense, and dispositions totaled \$482,383, \$395,554 and \$3,976, respectively, for a net effect of \$82,853.	82,853
Repayment of principal for long-term obligations is an expenditure in the governmental funds, but is reported as a reduction to the long-term liabilities in the Statement of Net Position.	182,102
The change in accrued interest payable is reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	168
The change in deferred tax revenue is reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	(8,660)
The change in State Foundation Program revenues receivable, but not yet available, is reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	(10,717)
The net change in the net pension liability, deferred inflow of resources and deferred outflow of resources related to the net pension liability are reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following: net pension liability decreased by \$220,835, deferred inflow of resources increased by \$192,864, and deferred outflow of resources decreased by \$185,569, for a net effect of \$157,598.	(157,598)
The net change in the net OPEB liability, deferred inflow of resources and deferred outflow of resources related to the net OPEB liability are reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following: net OPEB liability decreased by \$607,904, deferred inflow of resources increased by \$583,572, and deferred outflow of resources decreased by \$8,657, for a net effect of \$15,675.	15,675
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 96,990</b>

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

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

	Private Purpose Trust Funds	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 149,218	\$ 65,456
Investments - Current	40,409	-
Total Assets	<u>189,627</u>	<u>\$ 65,456</u>
<b>LIABILITIES</b>		
Accounts Payable	5,263	\$ -
Due to Student Groups	-	65,456
Total Liabilities	<u>5,263</u>	<u>\$ 65,456</u>
<b>NET POSITION</b>		
Unrestricted Net Position	<u>184,364</u>	
Total Net Position	<u>\$ 184,364</u>	

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

LOUISE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2020

	Private Purpose Trust Funds
<b>ADDITIONS:</b>	
Earnings from Temporary Deposits	\$ 858
Contributions, Gifts and Donations	17,700
Total Additions	<u>18,558</u>
<b>DEDUCTIONS:</b>	
Other Deductions	20,112
Total Deductions	<u>20,112</u>
Change in Fiduciary Net Position	(1,554)
Total Net Position - September 1 (Beginning)	<u>185,918</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 184,364</u></u>

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

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

A. Summary of Significant Accounting Policies

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

Reporting Entity

The Board of School Trustees (“Board”), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (“TEA”) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental “reporting entity” as defined by the GASB in its Statement No. 14, “The Financial Reporting Entity,” as revised by GASB Statement No. 39, and there are no component units included within the reporting entity.

Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

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

A. Summary of Significant Accounting Policies (Continued)

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

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



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

A. Summary of Significant Accounting Policies (Continued)

Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. Property taxes receivable are presented in the accompanying statement of net position and balance sheet as of August 31, 2020.

b. Inventories and Prepaid Items

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

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

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	10-40
Furniture and Equipment	5-20
Vehicles	5-10

d. Receivable and Payable Balances

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

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

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

A. Summary of Significant Accounting Policies (Continued)

e. Interfund Activity

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

f. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

g. Data Control codes

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

Fund Balance Policy

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), the District reports fund balances for governmental funds in classifications based primarily on the extent to which the district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The *nonspendable* classification represents assets that will be consumed or "must be maintained in tact" and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the *restricted* classification. The nature of these two classifications precludes a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications – committed, assigned, and unassigned.

Committed fund balance includes amounts that can only be used for specific purposes, and is reported pursuant to resolutions passed by the Board of Trustees, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by Board of Trustees.

Assigned fund balance includes amounts that the District intends to use for specific purposes, but that do not meet the definition of restricted or committed fund balance. Under the District's adopted policy, amounts may only be assigned by the Board of Trustees.

Unassigned fund balance includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

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

A. Summary of Significant Accounting Policies (Concluded)

From time to time, the Board of Trustees may commit fund balances by a majority vote in a scheduled meeting. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the Board.

The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board may modify or rescind its delegation of authority by the same action.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources. When the District incurs an expenditure or expense for which committed, assigned, or unassigned may be used, it is the District's policy to use committed, then assigned, and then unassigned.

B. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At August 31, 2020, the carrying amount of the District's deposit (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,922,373 (of which \$40,409 was invested in certificates of deposit and included in current investments) and the bank balance was \$3,044,862. The District's cash deposits at August 31, 2020 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

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

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

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

B. Deposits and Investments (Continued)

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

Fair Value Measurements

The District categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority,
- Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and
- Level 3 inputs which consist of other unobservable inputs and have the lowest priority.

The District uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the District measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 and Level 2 inputs are not available.

The District's investments as of August 31, 2020 consist entirely of certificates of deposit and investments pools that are not subject to fair value measurements as follows:

<u>Investment or Investment Type</u>	<u>Reported Amount</u>
Certificates of Deposit	\$ 40,409
TexPool	717
Total Investments	<u>\$ 41,126</u>

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

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

B. Deposits and Investments (Continued)

At August 31, 2020, the District's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

<u>Investment</u>	<u>Rating</u>	<u>Organization</u>
TexPool	AAAm	Standard & Poor's

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

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

B. Deposits and Investments (Concluded)

Public Funds Investment Pools

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

Investment pools are measured at amortized cost and are exempt from fair value reporting. TexPool, Texas CLASS, and the Lone Star Investment Pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions.

These investment pools have a redemption notice period of one day and no maximum transaction amounts. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity.

C. Capital Assets

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

<u>Governmental Activities:</u>	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Being Depreciated				
Land	\$ 223,407	\$ -	\$ -	\$ 223,407
Capital Assets Being Depreciated				
Building and Improvements	10,261,289	312,518	-	10,573,807
Vehicles, Furniture and Equipment	1,343,257	169,865	46,692	1,466,430
Total Capital Assets at Historical Cost	11,827,953	482,383	46,692	12,263,644
Less Accumulated Depreciation for:				
Buildings and Improvements	4,987,852	308,645	-	5,296,497
Vehicles, Furniture and Equipment	1,093,694	86,909	42,716	1,137,887
Total Accumulated Depreciation	6,081,546	395,554	42,716	6,434,384
Governmental Activities Capital Assets, Net	<u>\$ 5,746,407</u>	<u>\$ 86,829</u>	<u>\$ 3,976</u>	<u>\$ 5,829,260</u>

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

C. Capital Assets (Concluded)

Depreciation was charged to functions as follows:

Instruction	\$ 159,080
Instructional Resources and Media Services	3,473
Curriculum and Staff Development	944
School Leadership	21,798
Student (Pupil) Transportation	60,314
Food Service	9,269
Extracurricular Activities	89,043
General Administration	13,036
Facilities Maintenance and Operations	38,048
Security and Monitoring Services	549
Total	\$ 395,554

D. Interfund Balances and Activities

Due to and From Other Funds

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

Due to Fund	Due From Fund	Amount	Purpose
General Fund	Other Funds	\$ 35,260	Short-term loans
Other Funds	General Fund	112	Short-term loans
		\$ 35,372	

All amounts are scheduled to be repaid within one year.

E. Long-Term Obligations

Maintenance Tax Notes

During the fiscal year ended August 31, 2011, the Board of Trustees adopted a resolution to authorize the borrowing of \$1,000,000 under Qualified School Construction Bonds laws (maintenance tax notes) for renovations to District facilities. The Board of Trustees approved the issuance of \$1,300,000 in maintenance tax notes for additional renovations to the Districts' facilities during the year ended August 31, 2017.

Capital Lease

During the fiscal year ended August 31, 2017, the Board of Trustees approved a lease-purchase agreement of \$87,189 for the acquisition of a bus. The final payment required under the lease agreement was made during the year ended August 31, 2020.

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

E. Long-Term Obligations (Concluded)

Long Term Debt Activity

Changes in long-term obligations for the year ended August 31, 2020, are as follows:

	Beginning			Ending	Due
<u>Governmental Activities:</u>	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>	<u>Within</u>
Maint. Tax Note, Series 2010	\$ 85,000	\$ -	\$ 85,000	\$ -	\$ -
Maint. Tax Note, Series 2017	1,160,000	-	75,000	1,085,000	75,000
Total Maint. Tax Notes	1,245,000	-	160,000	1,085,000	75,000
Capital Lease	22,102	-	22,102	-	-
Total	<u>\$ 1,267,102</u>	<u>\$ -</u>	<u>\$ 182,102</u>	<u>\$ 1,085,000</u>	<u>\$ 75,000</u>

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

Year Ending August 31,	Maintenance Tax Notes		
	Principal	Interest	Total
2021	\$ 75,000	\$ 31,425	\$ 106,425
2022	80,000	29,100	109,100
2023	80,000	26,700	106,700
2024	85,000	24,225	109,225
2025	85,000	21,675	106,675
2026 - 2030	470,000	67,500	537,500
2031 - 2032	210,000	6,300	216,300
Total	<u>\$ 1,085,000</u>	<u>\$ 206,925</u>	<u>\$ 1,291,925</u>

The interest rate on the maintenance tax notes is 3.00%. Interest expense was \$34,859 for the year ended August 31, 2020.

F. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2020, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

G. Pension Plan

Plan Description

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



LOUISE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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G. Pension Plan (Continued)

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

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <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% (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, for whom the three highest annual salaries are then 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 above.

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

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

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.

LOUISE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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G. Pension Plan (Continued)

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

	Contribution Rates	
	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
Current Fiscal Year Employer Contributions		\$ 96,293
Current Fiscal Year Member Contributions		\$ 290,275
Measurement Year NECE On-Behalf Contributions		\$ 220,258

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 are required to pay the employer contribution rate in the following instances:

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

In addition to the employer contributions listed above, there is an additional surcharge 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. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

LOUISE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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G. Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation rolled forward to August 31, 2019 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-Term Expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.63%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last Year Ending August 31 in Projection Period (100 Years)	2116
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad Hoc Post-Employment Benefit Changes	None

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LOUISE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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G. Pension Plan (Continued)

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

Asset Class	FY 2019 Target Allocation Percentage <sup>1</sup>	New Target Allocation Percentage <sup>2</sup>	Long-Term Expected Geometric Real Rate of Return <sup>3</sup>
Global Equity:			
U.S.A.	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00%	3.00%	6.30%
Emerging Markets	9.00%	9.00%	7.30%
Directional Hedge Funds	4.00%	-	-
Private Equity	13.00%	14.00%	8.40%
Stable Value:			
U.S. Treasuries <sup>4</sup>	11.00%	16.0%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
Absolute Return (Including Credit Sensitive Investments)	-	-	-
Real Return:			
Global Inflation Linked Bonds <sup>4</sup>	3.00%	-	-
Real Estate	14.00%	15.00%	8.50%
Energy, Natural Resources and Infrastructure Commodities	5.00%	6.00%	7.30%
	-	-	-
Risk Parity:			
Risk Parity	5.00%	8.00%	5.80%/6.50% <sup>5</sup>
Asset Allocation Leverage Cash	1.00%	2.00%	2.50%
Asset Allocation Leverage	-	(6.00%)	2.70%
Expected Return	<u>100.00%</u>	<u>100.00%</u>	<u>7.23%</u>

<sup>1</sup> FY 2019 Target Allocation based on the Strategic Asset Allocation dated 10/01/18

<sup>2</sup> New target allocation based on the Strategic Asset Allocation dated 10/01/19

<sup>3</sup> 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.10%

<sup>4</sup> New Target Allocation Groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds.

<sup>5</sup> 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

LOUISE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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G. Pension Plan (Continued)

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Proportionate Share of the Net Pension Liability	\$ 1,597,235	\$ 1,039,092	\$ 586,888

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

At August 31, 2020, the District reported a liability of \$1,039,092 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 1,039,092
State's Proportionate Share that is Associated with the District	<u>3,271,369</u>
Total	<u>\$ 4,310,461</u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2018 through August 31, 2019.

At August 31, 2019, the employer's proportionate share of the collective net pension liability was .0019989026%, a decrease of .0002901087% from its proportionate share measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation

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

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13<sup>th</sup> check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

LOUISE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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G. Pension Plan (Concluded)

For the year ended August 31, 2020, the District recognized pension expense of \$767,777 and revenue of \$513,886 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experiences	\$ 4,365	\$ 36,079
Changes in Actuarial Assumptions	322,377	133,222
Difference Between Projected and Actual Investment Earnings	10,434	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	211,807	92,590
Contributions Paid to TRS Subsequent to the Measurement Date	96,293	-
Total as of August 31, 2020	<u>\$ 645,276</u>	<u>\$ 261,891</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources (not including the deferred contributions paid subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2021	\$ 94,564
2022	79,929
2023	66,194
2024	55,556
2025	6,676
Thereafter	(15,827)

For the year ended August 31, 2020, the changes to the TRS net pension liability were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	<u>\$ 1,259,927</u>	<u>\$ (150,871)</u>	<u>\$ 69,964</u>	<u>\$ 1,039,092</u>

H. Defined Other Post-Employment Benefit Plan

Plan Description

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

LOUISE INDEPENDENT SCHOOL DISTRICT  
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H. Defined Other Post-Employment Benefit Plan (Continued)

OPEB Plan Fiduciary Net Position

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

Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLA's.

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

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

Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a "pay-as-you-go" basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the State, active employees, and school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the State's contribution rate, which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% and not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

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H. Defined Other Post-Employment Benefit Plan (Continued)

	Contribution Rates	
	2019	2020
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current Fiscal Year Employer Contributions		\$ 39,036
Current Fiscal Year Member Contributions		\$ 24,504
Measurement Year NECE On-Behalf Contributions		\$ 37,310

In addition to the employer contributions listed above, there is an additional surcharge to which all TRS employers are subject (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, employers are required to pay to TRS Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2018. Update procedures were used to roll forward the total OPEB liability to August 31, 2019.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in this OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ended August 31, 2017.

The following assumptions used for members of TRS are identical to the assumptions employed in the August 31, 2019 TRS annual pension actuarial: rates of mortality, rates of retirement, rates of termination, rates of disability, general inflation, wage inflation, and salary increases.

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



LOUISE INDEPENDENT SCHOOL DISTRICT  
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H. Defined Other Post-Employment Benefit Plan (Continued)

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Election Rates	Normal retirement: 65% participation prior to age 65 and 50% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Salary Increases	3.05% - 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

The impact of the Cadillac Tax that is returning in fiscal year 2023, has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- The 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

Discount Rate

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

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

H. Defined Other Post-Employment Benefit Plan (Continued)

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (1.63%)	Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's Proportionate Share of the Net OPEB Liability	\$ 2,258,975	\$ 1,871,064	\$ 1,567,601

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

At August 31, 2020, the District reported a liability of \$1,871,064 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net OPEB Liability	\$ 1,871,064
State's Proportionate Share that is Associated with the District	<u>2,486,226</u>
Total	<u>\$ 4,357,290</u>

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportionate share of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2019, the employer's proportionate share of the collective Net OPEB Liability was .0039564721%, a decrease of 0.0010083245% from its proportionate share measured as of August 31, 2018.

Healthcare Cost Trend Rates Sensitivity Analysis

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

	1% Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
Proportionate Share of the Net OPEB Liability	\$ 1,526,348	\$ 1,871,064	\$ 2,332,825

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

H. Defined Other Post-Employment Benefit Plan (Continued)

Changes Since the Prior Actuarial Valuation

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

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the total OPEB liability.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate of pre-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the total OPEB liability.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the total OPEB liability.

There were no changes of benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB Expense of \$88,888 and revenue of \$65,527 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experiences	\$ 91,792	\$ 306,180
Changes in Actuarial Assumptions	103,923	503,270
Difference Between Projected and Actual Investment Earnings	202	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	272,894	558,032
Contributions Paid to TRS Subsequent to the Measurement Date	39,036	-
Total as of August 31, 2020	<u>\$ 507,847</u>	<u>\$ 1,367,482</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources (not including the deferred contributions paid subsequent to the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2021	\$ (133,921)
2022	(133,921)
2023	(133,988)
2024	(134,025)
2025	(134,015)
Thereafter	(228,801)

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

H. Defined Other Post-Employment Benefit Plan (Concluded)

For the year ended August 31, 2020, the changes to the TRS net OPEB liability were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	\$ 2,478,968	\$ (579,824)	\$ 28,080	\$ 1,871,064

I. Health Care Coverage – Retirees and Active Employees

*Retiree Health Care Coverage*

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care provides health care coverage for certain persons (and their dependents) who have retired under the Teacher Retirement System of Texas.

The statutory authority for the program is Texas Insurance Code, Chapter 1575. 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. The report may be obtained by visiting the TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling (800) 223-8778.

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 active employees was 0.65% for the years ended August 31, 2020, 2019, and 2018. The contribution rate for the State was 1.25% for the years ended August 31, 2020, 2019, and 2018. The contribution rate for the District was 0.75% for the years ended August 31, 2020, 2019, and 2018. 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.

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 Member's and District's required contributions for the years ended August 31, 2020, 2019, and 2018 are as follows:

Contribution Rates and Contribution Amounts						
Year	Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2020	0.65%	\$ 24,504	1.25%	\$ 45,192	0.75%	\$ 28,274
2019	0.65%	22,973	1.25%	41,717	0.75%	26,508
2018	0.65%	20,385	1.25%	38,729	0.75%	23,521

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

I. Health Care Coverage – Retirees and Active Employees (Continued)

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which became 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 years ended August 31, 2020, 2019, and 2018, the subsidy payments received by TRS-Care on behalf of the District were \$17,999, \$12,151, and \$9,469, respectively.

*Active Employee Health Care Coverage*

Plan Description

The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium based plan. Payments are made on a monthly basis for all covered employees.

J. Commitments and Contingencies

Contingencies

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

K. Shared Services Arrangements

The District participates in a shared services arrangement (“SSA”) with several other school districts for special education services. The District does not account for revenues or expenditures in this program and does not disclose them in its financial statements. The District has neither a joint ownership interest in capital assets purchased by the fiscal agent, El Campo I.S.D., nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA. In accordance with the Resource Guide, the payments to the fiscal agent are recorded as expenditures in Function 93, “Payments Related to Shared Services Arrangements.” Latest financial statements for the SSA are available for year ended August 31, 2019, from the fiscal agent.

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

L. Local and Intermediate Revenue

During the year ended August 31, 2020, local and intermediate revenues consisted of the following:

Revenue Description	Fund	Amount
Property Taxes Including Penalties and Interest	General Fund	\$ 2,994,789
Interest Income from Temporary Investments	General Fund	41,535
Athletic Activities	General Fund	18,213
Gifts and Bequests	General Fund	898
Rent	General Fund	9,800
Section 313	General Fund	125,000
Other Miscellaneous Revenues	General Fund	17,358
Total General Fund		<u>3,207,593</u>
Property Taxes Including Penalties and Interest	Debt Service Fund	151
Interest Income from Temporary Investments	Debt Service Fund	57
Interest Income from Temporary Investments	Special Revenue Fund	152
Revenues from Meals Served	Special Revenue Fund	63,365
Gifts and Bequests	Special Revenue Fund	16,000
Other Miscellaneous Revenues	Special Revenue Fund	1,094
Total Other Funds		<u>80,819</u>
Total Governmental Funds		<u>\$ 3,288,412</u>

### **Required Supplementary Information**

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

LOUISE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2020

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	\$ 2,861,259	\$ 3,177,459	\$ 3,207,593	\$ 30,134
5800 State Program Revenues	3,384,843	3,422,343	3,425,979	3,636
5900 Federal Program Revenues	-	7,650	7,081	(569)
5020 Total Revenues	6,246,102	6,607,452	6,640,653	33,201
EXPENDITURES:				
Current:				
0011 Instruction	3,288,000	3,395,400	3,339,839	55,561
0012 Instructional Resources and Media Services	40,171	41,121	38,757	2,364
0013 Curriculum and Instructional Staff Development	44,000	32,250	20,124	12,126
0023 School Leadership	419,000	411,500	399,449	12,051
0031 Guidance, Counseling, and Evaluation Services	79,800	82,300	80,993	1,307
0033 Health Services	42,200	42,450	40,934	1,516
0034 Student (Pupil) Transportation	370,500	322,500	270,796	51,704
0036 Extracurricular Activities	256,500	252,250	234,696	17,554
0041 General Administration	440,360	604,360	602,701	1,659
0051 Facilities Maintenance and Operations	867,500	923,900	854,253	69,647
0052 Security and Monitoring Services	50,600	50,600	46,906	3,694
0053 Data Processing Services	40,000	40,000	36,835	3,165
Debt Service:				
0071 Principal on Long-Term Debt	182,102	182,102	182,102	-
0072 Interest on Long-Term Debt	35,398	35,398	35,027	371
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	239,689	239,689	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	89,971	90,071	89,971	100
6030 Total Expenditures	6,246,102	6,745,891	6,513,072	232,819
1100 Excess (Deficiency) of Revenues Over (Under)	-	(138,439)	127,581	266,020
Expenditures				
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	(35,000)	(35,000)	(25,667)	9,333
1200 Net Change in Fund Balances	(35,000)	(173,439)	101,914	275,353
0100 Fund Balance - September 1 (Beginning)	2,068,643	2,068,643	2,068,643	-
3000 Fund Balance - August 31 (Ending)	\$ 2,033,643	\$ 1,895,204	\$ 2,170,557	\$ 275,353



LOUISE 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, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Pension Liability (Asset)	0.001998903%	0.002289011%	0.00208884%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,039,092	\$ 1,259,927	\$ 667,899
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	3,271,369	3,172,120	1,866,075
Total	<u>\$ 4,310,461</u>	<u>\$ 4,432,047</u>	<u>\$ 2,533,974</u>
District's Covered Payroll	\$ 3,534,319	\$ 3,145,638	\$ 3,025,164
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	29.40%	40.05%	22.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%

Note: GASB Codification, Vol. 2, P20.183 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, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
0.001844297%		0.00187777%		0.0005623%	
\$	696,933	\$	663,742	\$	150,198
2,178,144		2,102,456		1,830,784	
\$ 2,875,077		\$ 2,766,198		\$ 1,980,982	
\$	2,887,165	\$	2,790,164	\$	2,714,684
24.14%		23.79%		5.53%	
78.00%		78.43%		83.25%	

LOUISE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2020

	2020	2019	2018
Contractually Required Contribution	\$ 96,293	\$ 76,109	\$ 82,211
Contribution in Relation to the Contractually Required Contribution	(96,293)	(76,109)	(82,211)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 3,769,798	\$ 3,534,319	\$ 3,145,638
Contributions as a Percentage of Covered Payroll	2.55%	2.15%	2.61%

Note: GASB Codification, Vol. 2, P20.183 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 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

2017	2016	2015			
\$ 68,856	\$ 58,598	\$ 55,279			
(68,856)	(58,598)	(55,279)			
\$ -	\$ -	\$ -			
\$ 3,025,164	\$ 2,887,165	\$ 2,790,164			
2.28%	2.03%	1.98%			

LOUISE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.003956472%	0.004964797%	0.004396413%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 1,871,064	\$ 2,478,968	\$ 1,911,835
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	2,486,226	2,766,962	2,445,908
Total	<u>\$ 4,357,290</u>	<u>\$ 5,245,930</u>	<u>\$ 4,357,743</u>
District's Covered Payroll	\$ 3,534,319	\$ 3,145,638	\$ 3,025,164
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	52.94%	78.81%	63.20%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.66%	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

LOUISE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR YEAR ENDED AUGUST 31, 2020

	2020	2019	2018
Contractually Required Contribution	\$ 39,036	\$ 31,486	\$ 39,268
Contribution in Relation to the Contractually Required Contribution	(39,036)	(31,486)	(39,268)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 3,769,798	\$ 3,534,319	\$ 3,145,638
Contributions as a Percentage of Covered Payroll	1.04%	0.89%	1.25%

Note: GASB Codification, Vol. 2, P50.238 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 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

LOUISE INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2020

Budgetary Data

The official budget was prepared for adoption for the General Fund, the Debt Service Fund, and the Food Service Fund, which is included within the Special Revenue Funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, 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.
- b. 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.
- c. Prior to September 1, the budget is legally enacted through passage of a resolution of the Board.

Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made during the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. During the year, the budget was amended as necessary, within all material respects.

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.

TRS Pension Plan

*Changes of Benefit Terms*

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

*Changes of Assumptions*

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

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13<sup>th</sup> check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

LOUISE INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2020

TRS OPEB Plan

*Changes of Benefit Terms*

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

*Changes of Assumptions*

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

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



### **Other Supplementary Information**

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

LOUISE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2020

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	Various	Various	\$ Various
2012	1.170000	0.030000	181,027,363
2013	1.170000	0.030000	199,298,872
2014	1.170000	0.030000	211,180,270
2015	1.150000	0.050000	253,521,294
2016	1.150000	0.050000	238,196,311
2017	1.140000	0.000000	245,255,862
2018	1.170000	0.000000	262,030,775
2019	1.170000	0.000000	268,602,606
2020 (School year under audit)	1.068350	0.000000	250,398,893
1000 TOTALS			

(10) Beginning Balance 9/1/2019	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2020
\$ 8,928	\$ -	\$ -	\$ -	\$ 14,670	\$ 23,598
857	-	-	-	641	1,498
1,626	-	334	9	270	1,553
2,954	-	736	19	155	2,354
22,994	-	859	37	(2,868)	19,230
36,291	-	603	26	(3,024)	32,638
117,110	-	4,200	-	(80,134)	32,776
46,105	-	7,934	-	794	38,965
71,674	-	30,632	-	(851)	40,191
-	3,023,066	2,916,744	-	(12,533)	93,789
<u>\$ 308,539</u>	<u>\$ 3,023,066</u>	<u>\$ 2,962,042</u>	<u>\$ 91</u>	<u>\$ (82,880)</u>	<u>\$ 286,592</u>

LOUISE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2020

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	\$ 75,000	\$ 75,000	\$ 64,609	\$ (10,391)
5800 State Program Revenues	11,000	11,000	10,455	(545)
5900 Federal Program Revenues	194,000	209,500	159,541	(49,959)
5020 Total Revenues	280,000	295,500	234,605	(60,895)
EXPENDITURES:				
Current:				
0035 Food Services	280,000	326,500	261,514	64,986
6030 Total Expenditures	280,000	326,500	261,514	64,986
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(31,000)	(26,909)	4,091
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	35,000	35,000	25,667	(9,333)
1200 Net Change in Fund Balances	35,000	4,000	(1,242)	(5,242)
0100 Fund Balance - September 1 (Beginning)	1,242	1,242	1,242	-
3000 Fund Balance - August 31 (Ending)	\$ 36,242	\$ 5,242	\$ -	\$ (5,242)

LOUISE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2020

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	\$ 500	\$ 294	\$ 209	\$ (85)
5800 State Program Revenues	-	206	(206)	(412)
5020 Total Revenues	500	500	3	(497)
EXPENDITURES:				
Debt Service:				
0073 Bond Issuance Cost and Fees	500	500	64	436
6030 Total Expenditures	500	500	64	436
1200 Net Change in Fund Balances	-	-	(61)	(61)
0100 Fund Balance - September 1 (Beginning)	7,003	7,003	7,003	-
3000 Fund Balance - August 31 (Ending)	\$ 7,003	\$ 7,003	\$ 6,942	\$ (61)



# Roloff, Hnatek & Co., L.L.P.

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

Board of Trustees  
Louise Independent School District  
P.O. Box 97  
Louise, Texas 77455

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louise Independent School District as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise Louise Independent School District's basic financial statements, and have issued our report thereon dated October 20, 2020.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Louise 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 Louise Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Louise 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 District'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 Louise 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Roloff, Hnatek & Co., L.L.P." in a cursive script.

Roloff, Hnatek & Co., L.L.P.

October 20, 2020

LOUISE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED AUGUST 31, 2020

There were no findings requiring disclosures noted.



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

There were no findings noted during the prior year audit.