

**LOUISE  
INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2014**

LOUISE INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2014

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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, 2014, at a meeting of the board of trustees of such school district on the 17<sup>th</sup> day of November, 2014.



\_\_\_\_\_  
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**



"Pointing The Way to Success"

# 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:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louise Independent School District as of and for the year ended August 31, 2014, 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, 2014, 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 required that the management's discussion and analysis and budgetary comparison information on pages 9 through 15 and 39 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 42 through 45 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 31, 2014, 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 31, 2014

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



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

LOUISE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED AUGUST 31, 2014

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, 2014. 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, 2014 was \$5,994,727. Of this amount, \$1,827,295 is unrestricted.
- The District's total net position increased \$476,754, or 9%, from the prior year.
- The general fund had a fund balance of \$1,636,103 at August 31, 2014, an increase of \$11,674, or 1%, 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)  
YEAR ENDED AUGUST 31, 2014

**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  Statement of activities	Balance sheet  Statement of revenues, expenditures, and changes in fund balances	Statement of net position  Statement of revenues, expenses, and changes in fund net position  Statement of cash flows	Statement of fiduciary net position  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)  
YEAR ENDED AUGUST 31, 2014

### **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)  
YEAR ENDED AUGUST 31, 2014

**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 2014 by \$5,994,727. The following condensed Statement of Net Position provides an overview of the District's net position as of August 31, 2014 and 2013.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2014</u>	<u>2013</u>	<u>2014 - 2013</u>	<u>2014 - 2013</u>
<b>Assets:</b>				
Capital Assets	\$ 5,202,856	\$ 5,038,209	\$ 164,647	3%
Other Assets	1,872,528	2,185,821	(313,293)	(14%)
Total Assets	<u>7,075,384</u>	<u>7,224,030</u>	<u>(148,646)</u>	(2%)
<b>Deferred Outflows of Resources</b>	<u>88,804</u>	<u>45,641</u>	<u>43,163</u>	95%
<b>Liabilities:</b>				
Current Liabilities	112,807	380,130	(267,323)	(70%)
Non-Current Liabilities	1,056,654	1,371,568	(314,914)	(23%)
Total Liabilities	<u>1,169,461</u>	<u>1,751,698</u>	<u>(582,237)</u>	(33%)
<b>Net Position:</b>				
Net Investment in Capital Assets	4,146,202	3,666,641	479,561	13%
Restricted	21,230	37,647	(16,417)	(44%)
Unrestricted	1,827,295	1,813,685	13,610	1%
Total Net Position	<u>\$ 5,994,727</u>	<u>\$ 5,517,973</u>	<u>\$ 476,754</u>	9%

A portion of the District's net position (\$4,146,202) 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 that is also used to provide services to its students makes up a small portion of the District's net position (\$21,230). The remaining balance of unrestricted net position (\$1,827,295) may be used to meet the District's ongoing obligations to employees and vendors.

LOUISE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED AUGUST 31, 2014

**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, 2014 and 2013.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2014</u>	<u>2013</u>	<u>2014 - 2013</u>	<u>2014 - 2013</u>
<b>Program Revenues:</b>				
Charges for Services	\$ 93,492	\$ 92,422	\$ 1,070	1%
Operating Grants and Contributions	539,547	554,763	(15,216)	(3%)
<b>General Revenues:</b>				
Property Taxes	2,598,538	2,417,649	180,889	7%
State Aid – Formula Grants	2,073,314	1,938,172	135,142	7%
Investment Earnings	2,443	2,348	95	4%
Other	24,915	54,703	(29,788)	(54%)
Total Revenues	<u>5,332,249</u>	<u>5,060,057</u>	<u>272,192</u>	5%
<b>Expenses:</b>				
Instruction	2,574,744	2,414,938	159,806	7%
Instructional Resources and Media Services	36,226	32,506	3,720	11%
Curriculum and Staff Development	84,109	74,839	9,270	12%
School Leadership	285,249	279,511	5,738	2%
Guidance, Counseling, and Evaluation Services	114,274	123,035	(8,761)	(7%)
Health Services	27,558	27,239	319	1%
Student (Pupil) Transportation	189,785	172,506	17,279	10%
Food Services	268,588	244,075	24,513	10%
Extracurricular Activities	194,654	181,482	13,172	7%
General Administration	347,171	327,779	19,392	6%
Facilities Maintenance and Operations	589,386	558,182	31,204	6%
Security and Monitoring Services	5,667	6,729	(1,062)	(16%)
Data Processing Services	22,097	22,417	(320)	(1%)
Interest on Long-Term Debt	44,354	53,286	(8,932)	(17%)
Bond Issuance Cost and Fees	400	400	-	0%
Payments Related to Shared Svcs. Arrangements	71,233	92,252	(21,019)	(23%)
Total Expenses	<u>4,855,495</u>	<u>4,611,176</u>	<u>244,319</u>	5%
<b>Increase (Decrease) in Net Position</b>	<u>\$ 476,754</u>	<u>\$ 448,881</u>	<u>\$ 27,873</u>	

The District's total revenues and expenses increased by 5% each. The District's most significant increases in revenues were from property taxes and state aid-formula grants. The most significant increase in expenses occurred in the functional category of instruction and facilities maintenance and operations. The fiscal year operations resulted in an increase in net position of \$476,754.

LOUISE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED AUGUST 31, 2014

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

Revenues from governmental fund types totaled \$5,330,753, an increase of approximately 5% from the preceding year. Local revenues increased by approximately 7% while the state and federal revenues increased in total by approximately 3%. Expenditures from governmental fund types totaled \$5,427,182, an increase of approximately 15% from the preceding year. The increase in expenditures was primarily in the functional categories of instruction, student (pupil) transportation, and facilities maintenance and operations.

**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 Revenue – The budget was increase for an increase in local property taxes.
- State Program Revenues and Function 11 (Instruction) - The budget was increased for additional TRS on behalf payments.
- Function 51 (Facilities Maintenance and Operations) - The budget was increased to allow for the construction of a new track, and for additional maintenance and utilities expenses.

Total actual revenues were \$195,733 more than the final budgeted amount due to revenues from local and intermediate sources and state program revenues being more than anticipated. Total actual expenditures were \$243,344 below final budget amounts due primarily to a large favorable variance in function 11 (Instruction) combined with other less significant budget variances. The favorable variance in function 11 (Instruction) is primarily due to salaries being less than anticipated.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets as of August 31, 2014 was \$5,202,856 (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 \$164,647 from fiscal year 2013. 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, 2014 and 2013.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2014</u>	<u>2013</u>	<u>2014 - 2013</u>	<u>2014 - 2013</u>
Land	\$ 223,407	\$ 223,407	\$ -	0%
Buildings and Improvements	8,523,298	8,174,629	348,669	4%
Vehicles, Furniture and Equipment	1,159,176	1,073,665	85,511	8%
Totals at Historical Cost	<u>9,905,881</u>	<u>9,471,701</u>	<u>434,180</u>	5%
Total Accumulated Depreciation	<u>(4,703,025)</u>	<u>(4,433,492)</u>	<u>(269,533)</u>	6%
Net Capital Assets	<u>\$ 5,202,856</u>	<u>\$ 5,038,209</u>	<u>\$ 164,647</u>	3%

LOUISE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEAR ENDED AUGUST 31, 2014

**Long-term Debt**

As of August 31, 2014, the District had long-term debt outstanding of \$1,056,654. This amount is comprised of general obligation bonds, and workers compensation claims. 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, 2014 and 2013.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2014</u>	<u>2013</u>	<u>2014 - 2013</u>	<u>2014 - 2013</u>
General Obligation Bonds	\$ 484,501	\$ 712,501	\$ (228,000)	(32%)
Qualified School Construction Bonds	500,000	655,000	(155,000)	(24%)
Capital Lease	68,086	-	68,086	N/A
Workers Compensation Claims	4,067	4,067	-	0%
Total Long-Term Debt	<u>\$ 1,056,654</u>	<u>\$ 1,371,568</u>	<u>\$ (314,914)</u>	(23%)

**ECONOMIC OUTLOOK**

The District has adopted a property tax rate of \$1.20 for FYE 2015 based on its approved budget and total assessed taxable property values. The total assessed property tax value used for the fiscal year 2014 budget increased by approximately 4% from that of 2013. The District's average daily attendance is expected to be approximately 440 for the FYE 2015. These factors were taken into consideration when adopting the general fund budget for fiscal year 2015.

**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, 2014

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 1,615,201
1120 Current Investments	676
1220 Property Taxes Receivable (Delinquent)	113,543
1230 Allowance for Uncollectible Taxes	(10,036)
1240 Due from Other Governments	153,144
Capital Assets:	
1510 Land	223,407
1520 Buildings, Net	4,756,344
1530 Furniture and Equipment, Net	223,105
1000 Total Assets	7,075,384
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1702 Receivable for State Foundation Program	88,804
1700 Total Deferred Outflows of Resources	88,804
<b>LIABILITIES</b>	
2110 Accounts Payable	40,031
2140 Interest Payable	1,231
2160 Accrued Wages Payable	71,545
Noncurrent Liabilities	
2501 Due Within One Year	339,232
2502 Due in More Than One Year	717,422
2000 Total Liabilities	1,169,461
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	4,146,202
3820 Restricted for Federal and State Programs	11,428
3890 Restricted for Other Purposes	9,802
3900 Unrestricted	1,827,295
3000 Total Net Position	\$ 5,994,727

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, 2014

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 2,574,744	\$ 3,510	\$ 251,090	\$ (2,320,144)
12 Instructional Resources and Media Services	36,226	-	1,652	(34,574)
13 Curriculum and Staff Development	84,109	-	3,641	(80,468)
23 School Leadership	285,249	-	14,088	(271,161)
31 Guidance, Counseling and Evaluation Services	114,274	-	57,794	(56,480)
33 Health Services	27,558	-	1,560	(25,998)
34 Student (Pupil) Transportation	189,785	-	4,127	(185,658)
35 Food Services	268,588	64,407	177,381	(26,800)
36 Extracurricular Activities	194,654	16,230	3,902	(174,522)
41 General Administration	347,171	9,345	14,482	(323,344)
51 Facilities Maintenance and Operations	589,386	-	9,830	(579,556)
52 Security and Monitoring Services	5,667	-	-	(5,667)
53 Data Processing Services	22,097	-	-	(22,097)
72 Debt Service - Interest on Long Term Debt	44,354	-	-	(44,354)
73 Debt Service - Bond Issuance Cost and Fees	400	-	-	(400)
93 Payments related to Shared Services Arrangements	71,233	-	-	(71,233)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 4,855,495</u>	<u>\$ 93,492</u>	<u>\$ 539,547</u>	<u>(4,222,456)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			2,532,562
DT	Property Taxes, Levied for Debt Service			65,976
SF	State Aid - Formula Grants			2,073,314
IE	Investment Earnings			2,443
MI	Miscellaneous Local and Intermediate Revenue			24,915
TR	Total General Revenues			<u>4,699,210</u>
CN	Change in Net Position			476,754
NB	Net Position - Beginning			<u>5,517,973</u>
NE	Net Position--Ending			<u>\$ 5,994,727</u>

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

LOUISE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2014

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 1,591,548	\$ 23,653	\$ 1,615,201
1120 Investments - Current	676	-	676
1220 Property Taxes - Delinquent	105,542	8,001	113,543
1230 Allowance for Uncollectible Taxes (Credit)	(9,329)	(707)	(10,036)
1240 Receivables from Other Governments	153,144	-	153,144
1260 Due from Other Funds	-	112	112
1000 Total Assets	<u>\$ 1,841,581</u>	<u>\$ 31,059</u>	<u>\$ 1,872,640</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 39,995	\$ 36	\$ 40,031
2160 Accrued Wages Payable	69,158	2,387	71,545
2170 Due to Other Funds	112	-	112
2000 Total Liabilities	<u>109,265</u>	<u>2,423</u>	<u>111,688</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	96,213	7,294	103,507
2600 Total Deferred Inflows of Resources	<u>96,213</u>	<u>7,294</u>	<u>103,507</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	11,428	11,428
3490 Other Restricted Fund Balance	-	9,802	9,802
Committed Fund Balance:			
3510 Construction	750,000	-	750,000
Assigned Fund Balance:			
3550 Construction	-	112	112
3600 Unassigned Fund Balance	886,103	-	886,103
3000 Total Fund Balances	<u>1,636,103</u>	<u>21,342</u>	<u>1,657,445</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,841,581</u>	<u>\$ 31,059</u>	<u>\$ 1,872,640</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, 2014

<b>Total Fund Balances - Governmental Funds</b>	\$	1,657,445
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable and related accrued interest, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances of these assets and liabilities is to increase net position.		3,664,970
<b>2</b> Long-term debt principal payments and current year capital outlay are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Also, dispositions of capital assets, if any, increase/decrease net position. The net effect of including these reconciling items is to increase net position.		846,955
<b>3</b> The depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(275,708)
<b>4</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, and recognizing the assets and liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		101,065
<b>19 Net Position of Governmental Activities</b>	\$	5,994,727

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 BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 2,627,092	\$ 141,897	\$ 2,768,989
5800 State Program Revenues	2,224,188	42,973	2,267,161
5900 Federal Program Revenues	1,229	293,374	294,603
5020 Total Revenues	<u>4,852,509</u>	<u>478,244</u>	<u>5,330,753</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	2,337,648	110,065	2,447,713
0012 Instructional Resources and Media Services	32,753	-	32,753
0013 Curriculum and Instructional Staff Development	83,165	-	83,165
0023 School Leadership	264,082	-	264,082
0031 Guidance, Counseling and Evaluation Services	60,476	53,798	114,274
0033 Health Services	27,558	-	27,558
0034 Student (Pupil) Transportation	248,874	-	248,874
0035 Food Services	-	263,475	263,475
0036 Extracurricular Activities	135,093	-	135,093
0041 General Administration	338,742	-	338,742
0051 Facilities Maintenance and Operations	924,729	-	924,729
0052 Security and Monitoring Services	1,600	-	1,600
0053 Data Processing Services	22,097	-	22,097
Debt Service:			
0071 Principal on Long Term Debt	178,600	235,000	413,600
0072 Interest on Long Term Debt	11,013	26,781	37,794
0073 Bond Issuance Cost and Fees	-	400	400
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	71,233	-	71,233
6030 Total Expenditures	<u>4,737,663</u>	<u>689,519</u>	<u>5,427,182</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>114,846</u>	<u>(211,275)</u>	<u>(96,429)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7913 Capital Leases	91,686	-	91,686
7915 Transfers In	-	194,858	194,858
8911 Transfers Out (Use)	(194,858)	-	(194,858)
7080 Total Other Financing Sources (Uses)	<u>(103,172)</u>	<u>194,858</u>	<u>91,686</u>
1200 Net Change in Fund Balances	11,674	(16,417)	(4,743)
0100 Fund Balance - September 1 (Beginning)	<u>1,624,429</u>	<u>37,759</u>	<u>1,662,188</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,636,103</u>	<u>\$ 21,342</u>	<u>\$ 1,657,445</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, 2014

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(4,743)
Long-term debt principal payments and current year capital outlay are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Also, dispositions of capital assets, if any, increase/decrease net position. The net effect of removing these reconciling items is to increase net position.		846,955
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(275,708)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the assets and liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(89,750)
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>476,754</u>

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, 2014

	Private Purpose Trust Funds	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 61,148	\$ 70,891
Investments - Current	70,181	-
Total Assets	<u>131,329</u>	<u>\$ 70,891</u>
<b>LIABILITIES</b>		
Accounts Payable	21,225	\$ -
Due to Student Groups	-	70,891
Total Liabilities	<u>21,225</u>	<u>\$ 70,891</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>110,104</u>	
Total Net Position	<u>\$ 110,104</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, 2014

	Private Purpose Trust Funds
<b>ADDITIONS:</b>	
Local and Intermediate Sources	\$ 35,902
Total Additions	<u>35,902</u>
<b>DEDUCTIONS:</b>	
Other Operating Costs	<u>34,375</u>
Total Deductions	<u>34,375</u>
Change in Net Position	1,527
Total Net Position - September 1 (Beginning)	<u>108,577</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 110,104</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, 2014

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, 2014

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.

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, 2014.

LOUISE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies (Continued)

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:

Asset Class	Estimated Useful Lives
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.

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.

LOUISE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies (Continued)

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.

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.

LOUISE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies (Concluded)

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, 2014, the carrying amount of the District’s deposit (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,817,421 (of which \$70,181 was invested in certificates of deposit and included in current investments) and the bank balance was \$1,876,636. The District’s cash deposits at August 31, 2014 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.

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

The District’s investments at August 31, 2014 are shown below.

Investment or Investment Type	Reported Amount	Fair Value
Certificates of Deposit	\$ 70,181	\$ 70,181
TexPool	676	676
Total Investments	\$ 70,857	\$ 70,857

LOUISE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2014

B. Deposits and Investments (Continued)

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.

At August 31, 2014, 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:

Investment	Rating	Organization
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.

LOUISE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014

B. Deposits and Investments (Concluded)

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.

Public Funds Investment Pools

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

The District’s investments in Pools are reported at an amount determined by the fair value per share of the pool’s underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s rule 2a7 of the Investment Company Act of 1940.

C. Capital Assets

Capital asset activity for the year ended August 31, 2014, was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated				
Land	\$ 223,407	\$ -	\$ -	\$ 223,407
Capital Assets Being Depreciated				
Building and Improvements	8,174,629	348,669	-	8,523,298
Vehicles, Furniture and Equipment	1,073,665	91,686	6,175	1,159,176
Total Capital Assets at Historical Cost	<u>9,471,701</u>	<u>440,355</u>	<u>6,175</u>	<u>9,905,881</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	3,553,597	213,357	-	3,766,954
Vehicles, Furniture and Equipment	879,895	62,351	6,175	936,071
Total Accumulated Depreciation	<u>4,433,492</u>	<u>275,708</u>	<u>6,175</u>	<u>4,703,025</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,038,209</u>	<u>\$ 164,647</u>	<u>\$ -</u>	<u>\$ 5,202,856</u>



LOUISE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014

C. Capital Assets (Concluded)

Depreciation was charged to functions as follows:

Instruction	\$ 127,031
Instructional Resources and Media Services	3,474
Curriculum and Staff Development	944
School Leadership	21,167
Student Transportation	32,597
Food Service	5,113
Cocurricular/Extracurricular Activities	59,561
General Administration	8,429
Facilities Maintenance and Operations	13,326
Security and Monitoring Services	4,066
Total	\$ 275,708

D. Interfund Balances and Activities

Due to and From Other Funds

Balances due to and due from other funds at August 31, 2014, consisted of the following:

Due to Fund	Due From Fund	Amount	Purpose
Capital Projects Fund	General Fund	\$ 112	Short-term loans

All amounts are scheduled to be repaid within one year.

Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2014, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Other Funds	\$ 194,858	Supplement other funds sources

E. Long-Term Obligations

General Obligation Bonds

During the fiscal year ended August 31, 1996, the District issued general obligation bonds in the amount of \$3,200,000 to provide funds for the construction and improvement of school facilities. During the year ended August 31, 2005, general obligation and capital appreciation bonds totaling \$2,075,000 were issued to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$2,075,000 of previously issued general obligation bonds.

LOUISE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014

E. Long-Term Obligations (Continued)

As a result, the refunded bonds were considered to be defeased and the liability associated with the refunded bonds was removed from the governmental activities column of the accompanying statement of net position. The proceeds of the refunding bonds included a premium of \$141,060, which was being amortized through the year ended August 31, 2007 using the straight-line method, which does not differ significantly from the effective-interest method. The premium was fully amortized as of August 31, 2007. The refunding bonds include capital appreciation bonds with an issuance value of \$55,000 and a maturity value of \$200,000. Interest on the capital appreciation bonds was accreted through the year ended August 31, 2007 using the straight-line method, which does not differ significantly from the effective-interest method. The capital appreciation bonds became fully matured and were retired during the year ended August 31, 2007.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$76,998. This difference, reported in the accompanying statement of net position as a deduction from bonds payable, is being charged to interest expense through the fiscal year ending August 31, 2016 using the straight-line method, which does not differ significantly from the effective-interest method. The District completed the advance refunding to reduce its total debt service payments through fiscal year 2020 by \$103,404 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$86,004.

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

Qualified School Construction Bonds

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.

Capital Lease

During the fiscal year ended August 31, 2014, the Board of Trustees approved a lease-purchase agreement for the acquisition of a bus.

Long Term Debt Activity

Changes in long-term obligations for the year ended August 31, 2014, are as follows:

<u>Governmental Activities:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
General Obligation Bonds:					
School Building Unlimited Tax Refunding Bonds, Series 2005	\$ 730,000	\$ -	\$ 235,000	\$ 495,000	\$ 240,000
Unaccreted Deferred Loss on Defeasance	(17,499)	7,000	-	(10,499)	(7,000)
Sub-Total	<u>712,501</u>	<u>7,000</u>	<u>235,000</u>	<u>484,501</u>	<u>233,000</u>

LOUISE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014

E. Long-Term Obligations (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Qualified School Construction Bonds:					
Time Warrant, Series 2012	155,000	-	155,000	-	-
Maint. Tax Note, Series 2012	500,000	-	-	500,000	80,000
Capital Lease	-	91,686	23,600	68,086	22,165
Claims and Judgments	4,067	-	-	4,067	4,067
Total	<u>\$ 1,371,568</u>	<u>\$ 98,686</u>	<u>\$ 413,600</u>	<u>\$ 1,056,654</u>	<u>\$ 339,232</u>

Debt service requirements on long-term debt at August 31, 2014, are as follows:

Year Ending August 31,	General Obligation Bonds		
	Principal	Interest	Total
2015	\$ 233,000	\$ 25,263	\$ 258,263
2016	251,501	13,062	264,563
Total	<u>\$ 484,501</u>	<u>\$ 38,325</u>	<u>\$ 522,826</u>

Year Ending August 31,	Qualified School Construction Bonds		
	Principal	Interest	Total
2015	\$ 80,000	\$ 8,694	\$ 88,694
2016	80,000	7,182	87,182
2017	85,000	5,620	90,620
2018	85,000	4,016	89,016
2019	85,000	2,410	87,410
2020	85,000	803	85,803
Total	<u>\$ 500,000</u>	<u>\$ 28,725</u>	<u>\$ 528,725</u>

Year Ending August 31,	Capital Lease		
	Principal	Interest	Total
2015	\$ 22,165	\$ 1,620	\$ 23,785
2016	22,692	1,093	23,785
2017	23,229	556	23,785
Total	<u>\$ 68,086</u>	<u>\$ 3,269</u>	<u>\$ 71,355</u>

Year Ending August 31,	Workers' Compensation Claims Payable		
	Principal	Interest	Total
2015	\$ 4,067	-	\$ 4,067

LOUISE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014

E. Long-Term Obligations (Concluded)

Year Ending August 31,	Total Long-Term Obligations		
	Principal	Interest	Total
2015	\$ 339,232	\$ 35,577	\$ 374,809
2016	354,193	21,337	375,530
2017	108,229	6,176	114,405
2018	85,000	4,016	89,016
2019	85,000	2,410	87,410
2020	85,000	556	85,556
Total	<u>\$ 1,056,654</u>	<u>\$ 70,072</u>	<u>\$ 1,126,726</u>

Interest rates on bonds range from 3.625% to 3.75%. Interest rates on the QSCB Time Warrant and Maintenance Tax Note are 0.89% and 1.89%, respectively. Interest expense on long-term debt totaled \$44,354 for the year ended August 31, 2014.

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 2014, 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 contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778.

Funding Policy

Under provisions of State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.8% of the District's covered payroll. The District's employees' contributions to the System for the years ended August 31, 2014, 2013 and 2012 were \$174,932, \$160,656 and \$179,904 respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ended August 31, 2014, 2013 and 2012 were \$13,168, \$10,928 and \$20,130, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$173,783 for the year ended August 31, 2014.

LOUISE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014

H. Retiree Health Care Plan

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 State of Texas and active public school employee contribution rates were 1.00% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2013 and 2012. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2014, 2013 and 2012, the State's contribution to TRS-Care were \$25,556, \$11,731, and \$22,541, respectively, the active member contributions were \$16,612, \$15,250, and \$14,652, respectively, and the District's contributions were \$14,056, \$12,904, and \$12,398, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2013, 2012 and 2011, the subsidy payments received by TRS-Care on behalf of the District were \$9,632, \$6,536, and \$6,536, respectively.

H. 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.

LOUISE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014

I. 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, 2013, from the fiscal agent.

J. Local and Intermediate Revenue

During the year ended August 31, 2014, local and intermediate revenues consisted of the following:

Revenue Description	Fund	Amount
Property Taxes Including Penalties and Interest	General Fund	\$ 2,572,915
Interest Income from Temporary Investments	General Fund	2,410
Athletic Activities	General Fund	16,230
Gifts and Bequests	General Fund	10,400
Tuition and Fees	General Fund	3,510
Rent	General Fund	9,345
Other Miscellaneous Revenues	General Fund	12,282
Total General Fund		<u>2,627,092</u>
Property Taxes Including Penalties and Interest	Debt Service Fund	67,290
Interest Income from Temporary Investments	Debt Service Fund	33
Revenues from Meals Served	Special Revenue Fund	64,407
Local Grants	Special Revenue Fund	10,167
Total Other Funds		<u>141,897</u>
Total Governmental Funds		<u>\$ 2,768,989</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  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 2,416,536	\$ 2,561,536	\$ 2,627,092	\$ 65,556
5800	State Program Revenues	1,892,411	2,094,011	2,224,188	130,177
5900	Federal Program Revenues	-	1,229	1,229	-
5020	Total Revenues	4,308,947	4,656,776	4,852,509	195,733
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	2,262,807	2,394,786	2,337,648	57,138
0012	Instructional Resources and Media Services	28,654	33,454	32,753	701
0013	Curriculum and Instructional Staff Development	74,209	95,059	83,165	11,894
0023	School Leadership	257,341	268,841	264,082	4,759
0031	Guidance, Counseling and Evaluation Services	57,639	62,039	60,476	1,563
0033	Health Services	26,538	28,938	27,558	1,380
0034	Student (Pupil) Transportation	154,121	179,836	248,874	(69,038)
0036	Extracurricular Activities	140,662	150,662	135,093	15,569
0041	General Administration	319,310	342,710	338,742	3,968
0051	Facilities Maintenance and Operations	501,230	925,730	924,729	1,001
0052	Security and Monitoring Services	3,950	3,950	1,600	2,350
0053	Data Processing Services	24,154	24,154	22,097	2,057
Debt Service:					
0071	Principal on Long Term Debt	155,000	178,785	178,600	185
0072	Interest on Long Term Debt	11,330	11,330	11,013	317
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of	90,000	85,000	71,233	13,767
6030	Total Expenditures	4,106,945	4,785,274	4,737,663	47,611
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	202,002	(128,498)	114,846	243,344
<b>OTHER FINANCING SOURCES (USES):</b>					
7913	Capital Leases	-	-	91,686	91,686
8911	Transfers Out (Use)	(202,002)	(221,502)	(194,858)	26,644
7080	Total Other Financing Sources (Uses)	(202,002)	(221,502)	(103,172)	118,330
1200	Net Change in Fund Balances	-	(350,000)	11,674	361,674
0100	Fund Balance - September 1 (Beginning)	1,624,429	1,624,429	1,624,429	-
3000	Fund Balance - August 31 (Ending)	\$ 1,624,429	\$ 1,274,429	\$ 1,636,103	\$ 361,674



LOUISE INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2014

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 not amended as necessary. See Schedule of Findings and Responses.

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.

## **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  
 FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ Various
2006	1.445000	0.155000	143,622,871
2007	1.320000	0.150000	153,440,937
2008	1.040000	0.160000	153,245,765
2009	1.040000	0.155000	170,501,486
2010	1.170000	0.030000	168,537,067
2011	1.170000	0.030000	167,001,023
2012	1.170000	0.030000	181,027,363
2013	1.170000	0.030000	199,298,872
2014 (School year under audit)	1.170000	0.030000	211,180,270
1000 TOTALS			

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 25,575	\$ -	\$ 390	\$ 53	\$ -	\$ 25,132
11,299	-	1,556	167	-	9,576
9,881	-	521	59	-	9,301
4,776	-	904	139	-	3,733
8,301	-	3,743	558	-	4,000
75,074	-	6,209	159	(64,038)	4,668
6,702	-	846	22	(248)	5,586
9,319	-	3,285	84	(416)	5,534
21,990	-	11,317	290	(1,038)	9,345
-	2,534,163	2,511,332	64,394	78,231	36,668
<u>\$ 172,917</u>	<u>\$ 2,534,163</u>	<u>\$ 2,540,103</u>	<u>\$ 65,925</u>	<u>\$ 12,491</u>	<u>\$ 113,543</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, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 76,000	\$ 76,000	\$ 66,640	\$ (9,360)
5800 State Program Revenues	1,500	7,500	6,628	(872)
5900 Federal Program Revenues	165,000	181,500	170,753	(10,747)
5020 Total Revenues	<u>242,500</u>	<u>265,000</u>	<u>244,021</u>	<u>(20,979)</u>
<b>EXPENDITURES:</b>				
0035 Food Services	<u>242,500</u>	<u>265,000</u>	<u>263,475</u>	<u>1,525</u>
6030 Total Expenditures	<u>242,500</u>	<u>265,000</u>	<u>263,475</u>	<u>1,525</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(19,454)	(19,454)
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	19,500	-	(19,500)
1200 Net Change in Fund Balances	-	19,500	(19,454)	(38,954)
0100 Fund Balance - September 1 (Beginning)	<u>29,338</u>	<u>29,338</u>	<u>29,338</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 29,338</u>	<u>\$ 48,838</u>	<u>\$ 9,884</u>	<u>\$ (38,954)</u>

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, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 61,380	\$ 61,380	\$ 67,323	\$ 5,943
5020	Total Revenues	61,380	61,380	67,323	5,943
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	263,382	235,000	235,000	-
0072	Interest on Long Term Debt	-	26,882	26,781	101
0073	Bond Issuance Cost and Fees	-	1,500	400	1,100
6030	Total Expenditures	263,382	263,382	262,181	1,201
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(202,002)	(202,002)	(194,858)	7,144
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	202,002	202,002	194,858	(7,144)
1200	Net Change in Fund Balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -



"Pointing The Way to Success"

# 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, 2014, 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 31, 2014.

## **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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as Finding Number 2014-1.

## 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,



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

October 31, 2014



LOUISE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED AUGUST 31, 2014

**Finding Number 2014-1:**

Condition: There was one instance in which the District did not properly amend its budget in its general fund resulting in a budget over-expenditure as presented in the required supplementary schedule presented on page 39.

Criteria: Section 44.006 of the Texas Education Code requires the District to adopt and amend its budget for the expenditures of public funds as necessary throughout the year.

Perspective Information: The District entered into a lease-purchase agreement during the fiscal year for the purchase of a bus. Although the lease-purchase agreement was formally approved by the Board of Trustees, the District did not properly amend its budget for the capital lease purchase proceeds and the offsetting capital outlay expenditures in function 34. Due to the infrequency of this type of transaction and the unique accounting entries that must be recorded in the first year of a capital lease-purchase, the District was unaware of the need to amend the budget. It was also noted that the District did properly amend its budget for the debt service obligations related to the lease-purchase agreement.

Cause and Effect: The District's budget for function 34 expenditures was inadequate.

Questioned Costs: There were no questioned costs related to this finding.

Recommendations: We recommend that the District's management familiarize itself with the unique accounting treatment for capital lease-purchases to avoid any future budget over-expenditures.

District's Response: The District's management agrees with the finding and will work to ensure it properly amends its budget in the future.

LOUISE INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2014

There were no findings during the prior year audit.

SCHOOLS FIRST QUESTIONNAIRE

LOUISE INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2014

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SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$ -