

**LOUISE
INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016**

LOUISE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016

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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, 2016, at a meeting of the board of trustees of such school district on the 21 day of Nov, 2016.

Brenda L Alderson
Signature of Board Secretary

Davis Mendenhall
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:

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, 2016, 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, 2016, 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 9 through 15, the budgetary comparison information on page 45, and the information related to the District's pension plan on pages 46 and 47, 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 50 through 53 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 28, 2016, 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 28, 2016

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, 2016

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, 2016. 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, 2016 was \$6,605,461. Of this amount, \$1,832,989 is unrestricted.
- The District's total net position increased \$120,775, or 2%, from the prior year.
- The general fund had a fund balance of \$1,789,108 at August 31, 2016, a decrease of \$2,055, or less than 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, 2016

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, 2016

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, 2016

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 2016 by \$6,605,461. The following condensed Statement of Net Position provides an overview of the District's net position as of August 31, 2016 and 2015.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2016</u>	<u>2015</u>	<u>2016 - 2015</u>	<u>2016 - 2015</u>
Assets:				
Capital Assets	\$ 5,117,385	\$ 5,330,275	\$ (212,890)	(4%)
Other Assets	2,093,247	2,082,658	10,589	1%
Total Assets	<u>7,210,632</u>	<u>7,412,933</u>	<u>(202,301)</u>	(3%)
Deferred Outflows of Resources	<u>606,313</u>	<u>145,616</u>	<u>460,697</u>	316%
Liabilities:				
Current Liabilities	128,244	156,208	(27,964)	(18%)
Non-Current Liabilities	1,031,038	871,687	159,351	18%
Total Liabilities	<u>1,159,282</u>	<u>1,027,895</u>	<u>131,387</u>	13%
Deferred Inflows of Resources	<u>52,202</u>	<u>45,968</u>	<u>6,234</u>	14%
Net Position:				
Net Investment in Capital Assets	4,750,089	4,608,786	141,303	3%
Restricted	22,383	14,560	7,823	54%
Unrestricted	1,832,989	1,861,340	(28,351)	(2%)
Total Net Position	<u>\$ 6,605,461</u>	<u>\$ 6,484,686</u>	<u>\$ 120,775</u>	2%

A portion of the District's net position (\$4,750,089) 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 and state grants and makes up a small portion of the District's net position (\$22,383). The remaining balance of unrestricted net position (\$1,832,989) 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, 2016

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, 2016 and 2015.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2016</u>	<u>2015</u>	<u>2016 - 2015</u>	<u>2016 - 2015</u>
Program Revenues:				
Charges for Services	\$ 87,201	\$ 80,119	\$ 7,082	9%
Operating Grants and Contributions	652,107	582,391	69,716	12%
General Revenues:				
Property Taxes	2,876,966	3,083,610	(206,644)	(7%)
State Aid – Formula Grants	1,889,788	1,932,499	(42,711)	(2%)
Investment Earnings	2,438	2,473	(35)	(1%)
Other	24,456	27,475	(3,019)	(11%)
Total Revenues	<u>5,532,956</u>	<u>5,708,567</u>	<u>(175,611)</u>	<u>(3%)</u>
Expenses:				
Instruction	2,822,751	2,815,044	7,707	0%
Instructional Resources and Media Services	36,470	33,251	3,219	10%
Curriculum and Staff Development	61,246	79,208	(17,962)	(23%)
School Leadership	404,930	283,792	121,138	43%
Guidance, Counseling, and Evaluation Services	68,910	58,908	10,002	17%
Health Services	32,069	29,143	2,926	10%
Student (Pupil) Transportation	252,885	186,238	66,647	36%
Food Services	293,915	238,229	55,686	23%
Extracurricular Activities	276,334	235,377	40,957	17%
General Administration	426,061	371,826	54,235	15%
Facilities Maintenance and Operations	617,057	577,987	39,070	7%
Security and Monitoring Services	19,007	14,886	4,121	28%
Data Processing Services	28,592	22,700	5,892	26%
Interest on Long-Term Debt	20,844	35,122	(14,278)	(41%)
Bond Issuance Cost and Fees	400	400	-	0%
Payments Related to Shared Svcs. Arrangements	50,710	66,322	(15,612)	(24%)
Total Expenses	<u>5,412,181</u>	<u>5,048,433</u>	<u>363,748</u>	<u>7%</u>
Increase (Decrease) in Net Position	<u>\$ 120,775</u>	<u>\$ 660,134</u>	<u>\$ (539,359)</u>	

The District's total revenues decreased by 3% while the total expenses increased by 7%. The District's most significant increase in revenues was from operating grants and contributions, while the most significant decreases in revenues were from property taxes and state aid-formula grants. The most significant increases in expenses occurred in the functional categories of school leadership, student (pupil) transportation, food services, extracurricular activities, general administration, and facilities maintenance and operations, while there were no significant decreases in expenses. The fiscal year operations resulted in an increase in net position of \$120,775.

LOUISE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED AUGUST 31, 2016

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$5,354,657, a decrease of approximately 6% from the preceding year. Local revenues decreased by approximately 7% while the state and federal revenues decreased in total by approximately 5%. Expenditures from governmental fund types totaled \$5,348,889, a decrease of approximately 4% from the preceding year. The decrease in expenditures was primarily in the functional categories of instruction, facilities maintenance and operations, and facilities acquisition and construction.

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:

- State Program Revenues, Function 11 (Instruction), Function 23 (School Leadership), Function 34 (Student (Pupil) Transportation), Function 51 (Facilities Maintenance and Operations), and Function 41 (General Administration) - The budget was increased due to the state foundation program entitlement being more than anticipated and allocated among the various functions.

Total actual revenues were \$26,987 less than the final budgeted amount due to revenues from local, intermediate, and state sources being less than anticipated. Total actual expenditures were \$89,837 below final budget amounts due primarily to large favorable variances 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, 2016 was \$5,117,385 (net of accumulated depreciation). This investment in capital assets includes school facilities, machinery and equipment, furniture, and vehicles. This amount represents a net decrease (including additions, deletions, and depreciation expense) of \$212,890 from fiscal year 2015. 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, 2016 and 2015.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2016</u>	<u>2015</u>	<u>2016 - 2015</u>	<u>2016 - 2015</u>
Land	\$ 223,407	\$ 223,407	\$ -	0%
Buildings and Improvements	8,859,899	8,859,899	-	0%
Vehicles, Furniture and Equipment	1,322,107	1,236,829	85,278	7%
Totals at Historical Cost	<u>10,405,413</u>	<u>10,320,135</u>	<u>85,278</u>	1%
Total Accumulated Depreciation	<u>(5,288,028)</u>	<u>(4,989,860)</u>	<u>(298,168)</u>	6%
Net Capital Assets	<u>\$ 5,117,385</u>	<u>\$ 5,330,275</u>	<u>\$ (212,890)</u>	(4%)

LOUISE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED AUGUST 31, 2016

Long-term Debt

As of August 31, 2016, the District had long-term debt outstanding of \$367,296. This amount is comprised of general obligation bonds, a capital lease, 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, 2016 and 2015.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2016</u>	<u>2015</u>	<u>2016 - 2015</u>	<u>2016 - 2015</u>
General Obligation Bonds	\$ -	\$ 251,501	\$ (251,501)	(100%)
Qualified School Construction Bonds	340,000	420,000	(80,000)	(19%)
Capital Lease	23,229	45,921	(22,692)	(49%)
Workers Compensation Claims	4,067	4,067	-	0%
Total Long-Term Debt	<u>\$ 367,296</u>	<u>\$ 721,489</u>	<u>\$ (354,193)</u>	(49%)

ECONOMIC OUTLOOK

The District has adopted a property tax rate of \$1.14 for FYE 2017 based on its approved budget and total assessed taxable property values. The total assessed property tax value used for the fiscal year 2017 budget increased by approximately 4% from that of 2016. The District's average daily attendance is expected to be approximately 450 for the FYE 2017. These factors were taken into consideration when adopting the general fund budget for fiscal year 2017.

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, 2016

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,690,521
1120 Current Investments	678
1220 Property Taxes Receivable (Delinquent)	176,575
1230 Allowance for Uncollectible Taxes	(25,739)
1240 Due from Other Governments	251,212
Capital Assets:	
1510 Land	223,407
1520 Buildings, Net	4,623,708
1530 Furniture and Equipment, Net	270,270
1000 Total Assets	7,210,632
DEFERRED OUTFLOWS OF RESOURCES	
1702 Deferred Outflow - State Foundation Program	108,079
1705 Deferred Outflow Related to TRS	498,234
1700 Total Deferred Outflows of Resources	606,313
LIABILITIES	
2110 Accounts Payable	37,075
2140 Interest Payable	285
2160 Accrued Wages Payable	90,869
2190 Due to Student Groups	15
Noncurrent Liabilities	
2501 Due Within One Year	112,296
2502 Due in More Than One Year	255,000
2540 Net Pension Liability (District's Share)	663,742
2000 Total Liabilities	1,159,282
DEFERRED INFLOWS OF RESOURCES	
2602 Deferred Inflow - State Grants	2,850
2605 Deferred Inflow Related to TRS	49,352
2600 Total Deferred Inflows of Resources	52,202
NET POSITION	
3200 Net Investment in Capital Assets	4,750,089
3850 Restricted for Debt Service	3,125
3890 Restricted for Other Purposes	19,258
3900 Unrestricted	1,832,989
3000 Total Net Position	\$ 6,605,461

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, 2016

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
	Expenses	3	4	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 2,822,751	\$ 2,700	\$ 362,494	\$ (2,457,557)
12 Instructional Resources and Media Services	36,470	-	2,321	(34,149)
13 Curriculum and Staff Development	61,246	-	3,458	(57,788)
23 School Leadership	404,930	-	31,176	(373,754)
31 Guidance, Counseling and Evaluation Services	68,910	-	6,469	(62,441)
33 Health Services	32,069	-	2,646	(29,423)
34 Student (Pupil) Transportation	252,885	-	13,200	(239,685)
35 Food Services	293,915	58,312	175,647	(59,956)
36 Extracurricular Activities	276,334	15,289	9,848	(251,197)
41 General Administration	426,061	10,900	22,663	(392,498)
51 Facilities Maintenance and Operations	617,057	-	18,359	(598,698)
52 Security and Monitoring Services	19,007	-	972	(18,035)
53 Data Processing Services	28,592	-	-	(28,592)
72 Debt Service - Interest on Long Term Debt	20,844	-	2,854	(17,990)
73 Debt Service - Bond Issuance Cost and Fees	400	-	-	(400)
93 Payments related to Shared Services Arrangements	50,710	-	-	(50,710)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 5,412,181	\$ 87,201	\$ 652,107	\$ (4,672,873)

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		2,757,694
DT	Property Taxes, Levied for Debt Service		119,272
SF	State Aid - Formula Grants		1,889,788
IE	Investment Earnings		2,438
MI	Miscellaneous Local and Intermediate Revenue		24,456
TR	Total General Revenues		4,793,648
CN	Change in Net Position		120,775
NB	Net Position - Beginning		6,484,686
NE	Net Position--Ending		\$ 6,605,461

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

LOUISE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,662,884	\$ 27,637	\$ 1,690,521
1120 Investments - Current	678	-	678
1220 Property Taxes - Delinquent	165,493	11,082	176,575
1230 Allowance for Uncollectible Taxes (Credit)	(24,124)	(1,615)	(25,739)
1240 Receivables from Other Governments	249,016	2,196	251,212
1260 Due from Other Funds	-	82	82
1000 Total Assets	<u>\$ 2,053,947</u>	<u>\$ 39,382</u>	<u>\$ 2,093,329</u>
LIABILITIES			
2110 Accounts Payable	\$ 34,870	\$ 2,205	\$ 37,075
2160 Accrued Wages Payable	88,503	2,366	90,869
2170 Due to Other Funds	82	-	82
2190 Due to Student Groups	15	-	15
2000 Total Liabilities	<u>123,470</u>	<u>4,571</u>	<u>128,041</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	141,369	9,466	150,835
2602 Unavailable Revenue - State Grants	-	2,850	2,850
2600 Total Deferred Inflows of Resources	<u>141,369</u>	<u>12,316</u>	<u>153,685</u>
FUND BALANCES			
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	3,125	3,125
3490 Other Restricted Fund Balance	-	19,258	19,258
Committed Fund Balance:			
3510 Construction	750,000	-	750,000
Assigned Fund Balance:			
3550 Construction	-	112	112
3600 Unassigned Fund Balance	1,039,108	-	1,039,108
3000 Total Fund Balances	<u>1,789,108</u>	<u>22,495</u>	<u>1,811,603</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,053,947</u>	<u>\$ 39,382</u>	<u>\$ 2,093,329</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, 2016

Total Fund Balances - Governmental Funds	\$ 1,811,603
1 Capital assets and deferred outflows of resources used in governmental activities are not current 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. Also, deferred inflows of resources are not currently available and, therefore, not reported in the governmental funds. The net effect of including the beginning balances of these assets, deferred outflows of resources, liabilities, and deferred inflows of resources is to increase net position.	4,479,230
2 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.	439,471
3 The depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(298,168)
4 As required by GASB 68, the District's proportionate share of the net pension liability related to TRS in the amount of \$663,742, a deferred resource inflow related to TRS in the amount of \$49,352, and a deferred resource outflow related to TRS in the amount of \$498,234 are not reported in the fund financial statements. The net effect is a decrease in net position of \$214,860.	(214,860)
5 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.	388,185
19 Net Position of Governmental Activities	\$ 6,605,461

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, 2016

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 2,778,256	\$ 195,504	\$ 2,973,760
5800	State Program Revenues	2,067,902	37,245	2,105,147
5900	Federal Program Revenues	5,769	269,981	275,750
5020	Total Revenues	<u>4,851,927</u>	<u>502,730</u>	<u>5,354,657</u>
EXPENDITURES:				
Current:				
0011	Instruction	2,430,586	143,155	2,573,741
0012	Instructional Resources and Media Services	31,744	-	31,744
0013	Curriculum and Instructional Staff Development	58,434	-	58,434
0023	School Leadership	364,107	-	364,107
0031	Guidance, Counseling and Evaluation Services	65,410	-	65,410
0033	Health Services	30,639	-	30,639
0034	Student (Pupil) Transportation	247,621	-	247,621
0035	Food Services	-	286,045	286,045
0036	Extracurricular Activities	203,323	-	203,323
0041	General Administration	400,425	-	400,425
0051	Facilities Maintenance and Operations	616,639	-	616,639
0052	Security and Monitoring Services	15,530	-	15,530
0053	Data Processing Services	28,592	-	28,592
Debt Service:				
0071	Principal on Long Term Debt	102,692	255,000	357,692
0072	Interest on Long Term Debt	8,275	9,562	17,837
0073	Bond Issuance Cost and Fees	-	400	400
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	50,710	-	50,710
6030	Total Expenditures	<u>4,654,727</u>	<u>694,162</u>	<u>5,348,889</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>197,200</u>	<u>(191,432)</u>	<u>5,768</u>
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	199,255	199,255
8911	Transfers Out (Use)	(199,255)	-	(199,255)
7080	Total Other Financing Sources (Uses)	<u>(199,255)</u>	<u>199,255</u>	<u>-</u>
1200	Net Change in Fund Balances	(2,055)	7,823	5,768
0100	Fund Balance - September 1 (Beginning)	<u>1,791,163</u>	<u>14,672</u>	<u>1,805,835</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 1,789,108</u>	<u>\$ 22,495</u>	<u>\$ 1,811,603</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, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	5,768
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.		439,471
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.		(298,168)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of August 31, 2015 caused the change in the ending net position to increase in the amount of \$58,598. Contributions made before the measurement date and during fiscal year ended August 31, 2014 were also expended in the fiscal year ended August 31, 2015 and recorded as an increase in the net pension expense for the District. This caused a decrease in the change in net position in the amount of \$55,279. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net pension expense by \$89,400. The impact of all of these factors is to decrease the change in net position by \$86,081.		(86,081)
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 increase net position.		59,785
Change in Net Position of Governmental Activities	\$	120,775

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, 2016

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 56,886	\$ 71,774
Investments - Current	70,509	-
Total Assets	<u>127,395</u>	<u>\$ 71,774</u>
LIABILITIES		
Accounts Payable	22,824	\$ 419
Due to Student Groups	-	71,355
Total Liabilities	<u>22,824</u>	<u>\$ 71,774</u>
NET POSITION		
Unrestricted Net Position	<u>104,571</u>	
Total Net Position	<u>\$ 104,571</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, 2016

	Private Purpose Trust Funds
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 26,302
Total Additions	<u>26,302</u>
DEDUCTIONS:	
Other Operating Costs	<u>27,150</u>
Total Deductions	<u>27,150</u>
Change in Net Position	(848)
Total Net Position - September 1 (Beginning)	<u>105,419</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 104,571</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, 2016

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, 2016

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, 2016.

LOUISE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2016

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, 2016

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, 2016

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, 2016, the carrying amount of the District's deposit (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,889,690 (of which \$70,509 was invested in certificates of deposit and included in current investments) and the bank balance was \$1,968,482. The District's cash deposits at August 31, 2016 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, 2016 are shown below.

Investment or Investment Type	Reported Amount	Fair Value
Certificates of Deposit	\$ 70,509	\$ 70,509
TexPool	678	678
Total Investments	<u>\$ 71,187</u>	<u>\$ 71,187</u>

LOUISE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2016

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, 2016, 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, 2016

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, 2016, 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	8,859,899	-	-	8,859,899
Vehicles, Furniture and Equipment	1,236,829	85,278	-	1,322,107
Total Capital Assets at Historical Cost	<u>10,320,135</u>	<u>85,278</u>	<u>-</u>	<u>10,405,413</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	3,998,101	238,090	-	4,236,191
Vehicles, Furniture and Equipment	991,759	60,078	-	1,051,837
Total Accumulated Depreciation	<u>4,989,860</u>	<u>298,168</u>	<u>-</u>	<u>5,288,028</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,330,275</u>	<u>\$ (212,890)</u>	<u>\$ -</u>	<u>\$ 5,117,385</u>

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

C. Capital Assets (Concluded)

Depreciation was charged to functions as follows:

Instruction	\$ 123,303
Instructional Resources and Media Services	3,474
Curriculum and Staff Development	944
School Leadership	21,167
Student Transportation	29,934
Food Service	5,940
Cocurricular/Extracurricular Activities	71,051
General Administration	13,263
Facilities Maintenance and Operations	26,665
Security and Monitoring Services	2,427
Total	\$ 298,168

D. Interfund Balances and Activities

Due to and From Other Funds

Balances due to and due from other funds at August 31, 2016, consisted of the following:

Due to Fund	Due From Fund	Amount	Purpose
General Fund	Capital Projects Fund	\$ 82	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, 2016, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Other Funds	\$ 199,255	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, 2016

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.

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

E. Long-Term Obligations (Continued)

Long Term Debt Activity

Changes in long-term obligations for the year ended August 31, 2016, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
School Building Unlimited Tax Refunding Bonds, Series 2005	\$ 255,000	\$ -	\$ 255,000	\$ -	\$ -
Unaccreted Deferred Loss on Defeasance	(3,499)	3,499	-	-	-
Sub-Total	<u>251,501</u>	<u>3,499</u>	<u>255,000</u>	<u>-</u>	<u>-</u>
Qualified School Construction Bonds:					
Maint. Tax Note, Series 2012	420,000	-	80,000	340,000	85,000
Capital Lease	45,921	-	22,692	23,229	23,229
Claims and Judgments	4,067	-	-	4,067	4,067
Total	<u>\$ 721,489</u>	<u>\$ 3,499</u>	<u>\$ 357,692</u>	<u>\$ 367,296</u>	<u>\$ 112,296</u>

Debt service requirements on long-term debt at August 31, 2016, are as follows:

Year Ending August 31,	Qualified School Construction Bonds		
	Principal	Interest	Total
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>\$ 340,000</u>	<u>\$ 12,849</u>	<u>\$ 352,849</u>

Year Ending August 31,	Capital Lease		
	Principal	Interest	Total
2017	\$ 23,229	\$ 556	\$ 23,785

Year Ending August 31,	Workers' Compensation Claims Payable		
	Principal	Interest	Total
2017	\$ 4,067	\$ -	\$ 4,067

Year Ending August 31,	Total Long-Term Obligations		
	Principal	Interest	Total
2017	\$ 112,296	\$ 6,176	\$ 118,472
2018	85,000	4,016	89,016
2019	85,000	2,410	87,410
2020	85,000	803	85,803
Total	<u>\$ 367,296</u>	<u>\$ 13,405</u>	<u>\$ 380,701</u>

Interest rates on bonds range from 3.625% to 3.75%. The interest rate on the Maintenance Tax Note is 1.89%. Interest expense on long-term debt totaled \$20,844 for the year ended August 31, 2016.

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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 2016, 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 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.

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 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, 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.

LOUISE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2016

G. Pension Plan (Continued)

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature's General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature's General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	Contribution Rates	
	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2016 Employer Contributions		\$ 58,598
2016 Member Contributions		\$ 207,876
2016 NECE On-Behalf Contributions		\$ 176,168

Contributors to the Plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State contributes to the Plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers, including public schools, are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by a federal funding source, a privately sponsored source, from non-educational and general, or local funds.

LOUISE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2016

G. Pension Plan (Continued)

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after-retirement surcharge.
- When a school district does not contribute to the Federal Old Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-Term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

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

Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

G. Pension Plan (Continued)

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

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 net pension liability.

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
Proportionate Share of the Net Pension Liability	<u>\$ 1,039,959</u>	<u>\$ 663,742</u>	<u>\$ 350,377</u>

LOUISE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2016

G. Pension Plan (Continued)

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

At August 31, 2015, the District reported a liability of \$663,742 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	\$ 663,742
State's Proportionate Share that is Associated with the District	<u>2,102,456</u>
Total	<u>\$ 2,766,198</u>

The net pension liability was measured as of August 31, 2015, 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, 2014 through August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was .0018777%, an increase of .0013154% from its proportion measured as of August 31, 2014.

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

Economic Assumptions

- The inflation assumption was decreased from 3.00% to 2.50%.
- The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

- The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

G. Pension Plan (Continued)

Other Demographic Assumptions

- Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

- The method of using celled data in the valuation process was changed to now use individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the year ended August 31, 2015, the District recognized pension expense of \$299,566 and revenue of \$299,566 for support provided by the State.

At August 31, 2015, 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	\$ 1,932	\$ 25,508
Changes in Actuarial Assumptions	8,120	23,679
Difference Between Projected and Actual Investment Earnings	129,035	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	300,549	165
Total as of August 31, 2015 Measurement Date	439,636	49,352
Contributions Paid to TRS Subsequent to the Measurement Date	58,598	-
Total as of August 31, 2016	\$ 498,234	\$ 49,352

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

G. Pension Plan (Concluded)

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

Year ended August 31:	Pension Expense Amount
2017	\$ 73,975
2018	73,975
2019	73,976
2020	85,453
2021	44,471
Thereafter	38,434

For the year ended August 31, 2016, the changes to the TRS net pension liability were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	\$ 150,198	\$ 569,145	\$ 55,601	\$ 663,742

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, 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 2016, 2015 and 2014. 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, 2016, 2015 and 2014, the State's contribution to TRS-Care were \$27,177, \$26,105, and \$25,556, respectively, the active member contributions were \$17,665, \$16,968, and \$16,612, respectively, and the District's contributions were \$14,947, \$14,358, and \$14,056, respectively, which equaled the required contributions each year.

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

H. Retiree Health Care Plan (Concluded)

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, 2016, 2015 and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$11,238, \$11,530, and \$7,160, respectively.

I. 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.

J. 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, 2015, from the fiscal agent.

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

K. Local and Intermediate Revenue

During the year ended August 31, 2016, local and intermediate revenues consisted of the following:

<u>Revenue Description</u>	<u>Fund</u>	<u>Amount</u>
Property Taxes Including Penalties and Interest	General Fund	\$ 2,729,339
Interest Income from Temporary Investments	General Fund	2,365
Athletic Activities	General Fund	15,289
Gifts and Bequests	General Fund	6,525
Tuition and Fees	General Fund	2,700
Rent	General Fund	10,900
Other Miscellaneous Revenues	General Fund	11,138
Total General Fund		<u>2,778,256</u>
Property Taxes Including Penalties and Interest	Debt Service Fund	118,162
Interest Income from Temporary Investments	Debt Service Fund	71
Revenues from Meals Served	Special Revenue Fund	58,312
Local Grants	Special Revenue Fund	16,863
Other Miscellaneous Revenues	Special Revenue Fund	2,096
Total Other Funds		<u>195,504</u>
Total Governmental Funds		<u>\$ 2,973,760</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, 2016

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	\$ 2,772,908	\$ 2,791,408	\$ 2,778,256	\$ (13,152)
5800	State Program Revenues	1,600,506	2,081,506	2,067,902	(13,604)
5900	Federal Program Revenues	-	6,000	5,769	(231)
5020	Total Revenues	4,373,414	4,878,914	4,851,927	(26,987)
EXPENDITURES:					
Current:					
0011	Instruction	2,305,927	2,458,668	2,430,586	28,082
0012	Instructional Resources and Media Services	30,427	32,927	31,744	1,183
0013	Curriculum and Instructional Staff Development	48,010	65,092	58,434	6,658
0023	School Leadership	252,928	364,755	364,107	648
0031	Guidance, Counseling and Evaluation Services	95,003	66,403	65,410	993
0033	Health Services	28,346	32,046	30,639	1,407
0034	Student (Pupil) Transportation	186,265	265,265	247,621	17,644
0036	Extracurricular Activities	180,678	209,278	203,323	5,955
0041	General Administration	354,435	402,835	400,425	2,410
0051	Facilities Maintenance and Operations	523,300	635,400	616,639	18,761
0052	Security and Monitoring Services	10,800	16,450	15,530	920
0053	Data Processing Services	27,195	29,195	28,592	603
Debt Service:					
0071	Principal on Long Term Debt	105,000	104,000	102,692	1,308
0072	Interest on Long Term Debt	7,750	7,750	8,275	(525)
Intergovernmental:					
0092	Incremental Costs Associated with Chapter 41	-	3,000	-	3,000
0093	Payments to Fiscal Agent/Member Districts of SSA	67,500	51,500	50,710	790
6030	Total Expenditures	4,223,564	4,744,564	4,654,727	89,837
1100	Excess of Revenues Over Expenditures	149,850	134,350	197,200	62,850
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(149,850)	(191,350)	(199,255)	(7,905)
1200	Net Change in Fund Balances	-	(57,000)	(2,055)	54,945
0100	Fund Balance - September 1 (Beginning)	1,791,163	1,791,163	1,791,163	-
3000	Fund Balance - August 31 (Ending)	\$ 1,791,163	\$ 1,734,163	\$ 1,789,108	\$ 54,945

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, 2016

EXHIBIT G-6

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0018777%	0.0005623%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 663,742	\$ 150,198
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	2,102,456	1,830,784
Total	<u>\$ 2,766,198</u>	<u>\$ 1,980,982</u>
District's Covered-Employee Payroll	\$ 2,790,164	\$ 2,714,684
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	23.79%	5.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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

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

LOUISE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2016

EXHIBIT G-7

	2016	2015
Contractually Required Contribution	\$ 58,598	\$ 55,279
Contribution in Relation to the Contractually Required Contribution	(58,598)	(55,279)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 2,887,165	\$ 2,790,164
Contributions as a Percentage of Covered-Employee Payroll	2.03%	1.98%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

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

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2016

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.

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, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
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	1.170000	0.030000	211,180,270
2015	1.150000	0.050000	253,521,294
2016 (School year under audit)	1.150000	0.050000	238,196,311
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 42,001	\$ -	\$ 224	\$ 29	\$ -	\$ 41,748
3,683	-	71	10	-	3,602
3,477	-	55	8	-	3,414
3,894	-	-	-	(244)	3,650
4,499	-	53	1	(401)	4,044
4,435	-	136	3	(445)	3,851
7,204	-	41	1	(777)	6,385
9,980	-	2,711	70	(331)	6,868
55,825	-	20,770	903	(540)	33,612
-	2,858,356	2,677,004	116,393	4,442	69,401
<u>\$ 134,998</u>	<u>\$ 2,858,356</u>	<u>\$ 2,701,065</u>	<u>\$ 117,418</u>	<u>\$ 1,704</u>	<u>\$ 176,575</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, 2016

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	\$ 50,000	\$ 59,500	\$ 60,409	\$ 909
5800 State Program Revenues	1,500	15,500	5,139	(10,361)
5900 Federal Program Revenues	160,000	190,000	168,242	(21,758)
5020 Total Revenues	<u>211,500</u>	<u>265,000</u>	<u>233,790</u>	<u>(31,210)</u>
EXPENDITURES:				
0035 Food Services	<u>211,500</u>	<u>290,000</u>	<u>286,045</u>	<u>3,955</u>
6030 Total Expenditures	<u>211,500</u>	<u>290,000</u>	<u>286,045</u>	<u>3,955</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(25,000)	(52,255)	(27,255)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	25,000	52,255	27,255
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2016

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	\$ 116,127	\$ 116,127	\$ 118,233	\$ 2,106
5800	State Program Revenues	-	-	2,854	2,854
5020	Total Revenues	116,127	116,127	121,087	4,960
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	255,000	255,000	255,000	-
0072	Interest on Long Term Debt	9,577	9,577	9,562	15
0073	Bond Issuance Cost and Fees	1,400	1,400	400	1,000
6030	Total Expenditures	265,977	265,977	264,962	1,015
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(149,850)	(149,850)	(143,875)	5,975
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	149,850	149,850	147,000	(2,850)
1200	Net Change in Fund Balances	-	-	3,125	3,125
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 3,125	\$ 3,125



"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, 2016, 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 28, 2016.

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,



Roloff, Hnatek & Co., L.L.P.
October 28, 2016

LOUISE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2016

There were no findings requiring disclosures noted.

LOUISE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2016

There were no findings noted during the prior year audit.