

**LOUISE
INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2019**

LOUISE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2019

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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, 2019, at a meeting of the board of trustees of such school district on the 18 day of November 2019.



Signature of Board Secretary



Signature of Board President

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

Financial Section



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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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 10 through 16, the budgetary comparison information on page 52, the information related to the District's pension plan on pages 53 through 56, and the information related to the District's other post-employment benefits on pages 57 and 58, 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 62 through 65 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 November 6, 2019, 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.

November 6, 2019

Management's Discussion and Analysis (Unaudited)

LOUISE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED AUGUST 31, 2019

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, 2019. 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, 2019 was \$3,918,575.
- The District's total net position decreased as a result of current year operations by \$7,348, or .2%, from the prior year.
- The general fund had a fund balance of \$2,068,643 at August 31, 2019, an increase of \$30,420, or 1½%, 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, 2019

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

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

Government-wide Statements

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

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

- Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base.

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

LOUISE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED AUGUST 31, 2019

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, 2019

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 2019 by \$3,918,575. The following condensed Statement of Net Position provides an overview of the District's net position as of August 31, 2019 and 2018.

	Governmental Activities		\$ Change	% Change
	2019	2018	2019 - 2018	2019 - 2018
Assets:				
Capital Assets	\$ 5,746,407	\$ 5,810,969	\$ (64,562)	(1%)
Other Assets	2,583,322	2,639,106	(55,784)	(2%)
Total Assets	8,329,729	8,450,075	(120,346)	(1%)
Deferred Outflows of Resources	1,618,469	591,348	1,027,121	174%
Liabilities:				
Current Liabilities	170,413	181,430	(11,017)	(6%)
Non-Current Liabilities	5,005,997	4,023,404	982,593	24%
Total Liabilities	5,176,410	4,204,834	971,576	23%
Deferred Inflows of Resources	853,213	910,666	(57,453)	(6%)
Net Position:				
Net Investment in Capital Assets	4,479,305	4,367,299	112,006	3%
Restricted	36,784	35,141	1,643	5%
Unrestricted	(597,514)	(476,517)	(120,997)	(25%)
Total Net Position	\$ 3,918,575	\$ 3,925,923	\$ (7,348)	(0%)

A portion of the District's net position (\$4,479,305) 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/local grants and makes up a small portion of the District's net position (\$36,784). The remaining balance represents the District's unrestricted net position.

LOUISE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED AUGUST 31, 2019

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, 2019 and 2018.

	Governmental Activities		\$ Change	% Change
	2019	2018	2019 - 2018	2019 - 2018
Program Revenues:				
Charges for Services	\$ 100,544	\$ 101,599	\$ (1,055)	(1%)
Operating Grants and Contributions	809,670	(322,711)	1,132,381	351%
General Revenues:				
Property Taxes	3,149,965	3,138,502	11,463	0%
State Aid – Formula Grants	2,282,469	2,043,168	239,301	12%
Investment Earnings	50,309	34,109	16,200	47%
Other	282,905	55,404	227,501	411%
Total Revenues	<u>6,675,862</u>	<u>5,050,071</u>	<u>1,625,791</u>	32%
Expenses:				
Instruction	3,651,941	2,163,406	1,488,535	69%
Instructional Resources and Media Services	41,921	29,990	11,931	40%
Curriculum and Staff Development	28,541	23,869	4,672	20%
School Leadership	451,072	250,254	200,818	80%
Guidance, Counseling, and Evaluation Services	81,190	45,609	35,581	78%
Health Services	38,694	23,215	15,479	67%
Student (Pupil) Transportation	303,924	234,196	69,728	30%
Food Services	291,090	224,917	66,173	29%
Extracurricular Activities	339,629	306,922	32,707	11%
General Administration	505,833	326,714	179,119	55%
Facilities Maintenance and Operations	776,578	538,184	238,394	44%
Security and Monitoring Services	21,257	18,287	2,970	16%
Data Processing Services	38,486	31,391	7,095	23%
Interest on Long-Term Debt	38,792	43,031	(4,239)	(10%)
Capital Outlay	4,503	-	4,503	N/A
Payments Related to Shared Svcs. Arrangements	69,759	132,205	(62,446)	(47%)
Total Expenses	<u>6,683,210</u>	<u>4,392,190</u>	<u>2,291,020</u>	52%
Increase (Decrease) in Net Position	<u>\$ (7,348)</u>	<u>\$ 657,881</u>	<u>\$ (665,229)</u>	

The District's total revenues and expenses increased by 32% and 52%, respectively. The District's most significant increase in revenues were from operating grants and contributions, state-aid formula, and other revenues with no significant decreases in any revenue categories. The most significant increase in expenses occurred in the functional categories of instruction, school leadership, general administration, facilities maintenance and operations with no significant decreases in any expense categories. The fiscal year operations resulted in a decrease in net position of \$7,348.

LOUISE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED AUGUST 31, 2019

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$6,368,545 an increase of approximately 7% from the preceding year. Local revenues increased by approximately 7% while total state and federal revenues increased by less than 1%. Expenditures from governmental fund types totaled \$6,430,181, a decrease of approximately 1% from the preceding year. The functional category of instruction increased by approximately 9% while the functional category of plant maintenance and operations decreased by approximately 34%.

General Fund Budgetary Highlights

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

- Local and Intermediate Sources - The budget was increased primarily due to property taxes being more than anticipated.
- State Program Revenues – The budget was increased for an increase by Texas Education Agency in State Foundation Program revenues.
- Function 11 (Instruction) and Function 41 (General Administration) – The budget was increased to allow for unexpected increases in various operating costs.
- Function 81 (Facilities Acquisition and Construction) - The budget was increased to allow for additional capital purchases.

Total actual revenues were \$15,796 more than the final budgeted amount due primarily to state program revenues being more than anticipated. Total actual expenditures were \$196,624 below final budget amounts due primarily to large favorable variances in functions 11 (Instruction) and 41 (General Administration) combined with other less significant favorable budget variances. The favorable variance in function 81 is primarily due to capital outlay being less than anticipated. The favorable variance in function 41 is primarily due to professional contracted services costs being less than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of August 31, 2019 was \$5,746,407 (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 \$64,562 from fiscal year 2018. 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, 2019 and 2018.

	Governmental Activities		\$ Change	% Change
	2019	2018	2019 - 2018	2019 - 2018
Land	\$ 223,407	\$ 223,407	\$ -	0%
Buildings and Improvements	10,261,289	8,952,467	1,308,822	15%
Vehicles, Furniture and Equipment	1,343,257	1,363,733	(20,476)	(2%)
Construction in Progress	-	1,045,334	(1,045,334)	(100%)
Totals at Historical Cost	11,827,953	11,584,941	243,012	2%
Total Accumulated Depreciation	(6,081,546)	(5,773,972)	(307,574)	5%
Net Capital Assets	\$ 5,746,407	\$ 5,810,969	\$ (64,562)	(1%)

LOUISE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED AUGUST 31, 2019

Long-term Debt

As of August 31, 2019, the District had long-term debt outstanding of \$1,267,102. This amount is comprised of maintenance tax notes and a capital lease. 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, 2019 and 2018.

	Governmental Activities		\$ Change	% Change
	2019	2018	2019 - 2018	2019 - 2018
Maintenance Tax Notes	\$ 1,245,000	\$ 1,400,000	\$ (155,000)	(11%)
Capital Lease	22,102	43,670	(21,658)	(49%)
Total Long-Term Debt	<u>\$ 1,267,102</u>	<u>\$ 1,443,670</u>	<u>\$ (176,568)</u>	(12%)

ECONOMIC OUTLOOK

The District has adopted a property tax rate of \$1.06835 for FYE 2020 based on its approved budget and total assessed taxable property values. The total assessed property tax value used for the fiscal year 2020 budget increased by approximately 6% from that of 2019. The District's average daily attendance is expected to be approximately 470 for the FYE 2020. These factors were taken into consideration when adopting the general fund budget for fiscal year 2020.

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, 2019

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,959,096
1220 Property Taxes - Delinquent	308,539
1230 Allowance for Uncollectible Taxes	(101,724)
1240 Due from Other Governments	417,411
Capital Assets:	
1510 Land	223,407
1520 Buildings, Net	5,273,437
1530 Furniture and Equipment, Net	249,563
1000 Total Assets	8,329,729
DEFERRED OUTFLOWS OF RESOURCES	
1702 Deferred Outflow - State Foundation Program	271,120
1705 Deferred Outflow Related to TRS Pension	830,845
1706 Deferred Outflow Related to TRS OPEB	516,504
1700 Total Deferred Outflows of Resources	1,618,469
LIABILITIES	
2110 Accounts Payable	47,824
2140 Interest Payable	1,582
2160 Accrued Wages Payable	120,992
2190 Due to Student Groups	15
Noncurrent Liabilities:	
2501 Due Within One Year	182,102
2502 Due in More Than One Year	1,085,000
2540 Net Pension Liability (District's Share)	1,259,927
2545 Net OPEB Liability (District's Share)	2,478,968
2000 Total Liabilities	5,176,410
DEFERRED INFLOWS OF RESOURCES	
2602 Deferred Inflow - Grants	276
2605 Deferred Inflow Related to TRS Pension	69,027
2606 Deferred Inflow Related to TRS OPEB	783,910
2600 Total Deferred Inflows of Resources	853,213
NET POSITION	
3200 Net Investment in Capital Assets	4,479,305
3850 Restricted for Debt Service	8,439
3890 Restricted for Other Purposes	28,345
3900 Unrestricted	(597,514)
3000 Total Net Position	\$ 3,918,575

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, 2019

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for Services	Operating Grants and Contributions	
	Expenses			6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 3,651,941	\$ -	\$ 477,400	\$ (3,174,541)
12 Instructional Resources and Media Services	41,921	-	2,840	(39,081)
13 Curriculum and Instructional Staff Development	28,541	-	57	(28,484)
23 School Leadership	451,072	-	35,111	(415,961)
31 Guidance, Counseling and Evaluation Services	81,190	-	7,674	(73,516)
33 Health Services	38,694	-	3,174	(35,520)
34 Student (Pupil) Transportation	303,924	-	14,317	(289,607)
35 Food Services	291,090	77,858	194,353	(18,879)
36 Extracurricular Activities	339,629	16,102	12,005	(311,522)
41 General Administration	505,833	6,584	26,617	(472,632)
51 Facilities Maintenance and Operations	776,578	-	34,977	(741,601)
52 Security and Monitoring Services	21,257	-	1,145	(20,112)
53 Data Processing Services	38,486	-	-	(38,486)
72 Debt Service - Interest on Long-Term Debt	38,792	-	-	(38,792)
81 Capital Outlay	4,503	-	-	(4,503)
93 Payments Related to Shared Services Arrangements	69,759	-	-	(69,759)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 6,683,210</u>	<u>\$ 100,544</u>	<u>\$ 809,670</u>	<u>(5,772,996)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			3,149,778
DT	Property Taxes, Levied for Debt Service			187
SF	State Aid - Formula Grants			2,282,469
IE	Investment Earnings			50,309
MI	Miscellaneous Local and Intermediate Revenue			282,905
TR	Total General Revenues			<u>5,765,648</u>
CN	Change in Net Position			(7,348)
NB	Net Position - Beginning			<u>3,925,923</u>
NE	Net Position--Ending			<u>\$ 3,918,575</u>

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

LOUISE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,826,788	\$ 132,308	\$ 1,959,096
1220 Property Taxes - Delinquent	303,656	4,883	308,539
1230 Allowance for Uncollectible Taxes	(100,114)	(1,610)	(101,724)
1240 Due from Other Governments	406,366	11,045	417,411
1260 Due from Other Funds	30	112	142
1000 Total Assets	<u>\$ 2,436,726</u>	<u>\$ 146,738</u>	<u>\$ 2,583,464</u>
LIABILITIES			
2110 Accounts Payable	\$ 47,824	\$ -	\$ 47,824
2160 Accrued Wages Payable	116,590	4,402	120,992
2170 Due to Other Funds	112	30	142
2190 Due to Student Groups	15	-	15
2000 Total Liabilities	<u>164,541</u>	<u>4,432</u>	<u>168,973</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	203,542	3,273	206,815
2602 Unavailable Revenue - Grants	-	276	276
2600 Total Deferred Inflows of Resources	<u>203,542</u>	<u>3,549</u>	<u>207,091</u>
FUND BALANCES			
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	7,004	7,004
3490 Other Restricted Fund Balance	-	28,345	28,345
Committed Fund Balance:			
3510 Construction	750,000	103,408	853,408
3600 Unassigned Fund Balance	1,318,643	-	1,318,643
3000 Total Fund Balances	<u>2,068,643</u>	<u>138,757</u>	<u>2,207,400</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,436,726</u>	<u>\$ 146,738</u>	<u>\$ 2,583,464</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, 2019

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 2,207,400
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.	1,656,887
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.	461,450
3 As required by GASB 68, the District's proportionate share of the net pension liability related to TRS in the amount of \$1,259,927, a deferred inflow of resources related to TRS in the amount of \$69,027, and a deferred outflow of resources related to TRS in the amount of \$830,845 are reported in the government-wide financial statements, but not in the fund financial statements. The net effect is a decrease in net position of \$498,109.	(498,109)
4 As required by GASB 75, the District's proportionate share of the net OPEB liability related to TRS in the amount of \$2,478,968, a deferred inflow of resources related to TRS in the amount of \$783,910, and a deferred outflow of resources related to TRS in the amount of \$516,504 are reported in the government-wide financial statements, but not in the fund financial statements. The net effect is a decrease in net position of \$2,746,374.	(2,746,374)
5 The depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(349,444)
6 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 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.	3,186,765
19 Net Position of Governmental Activities	\$ 3,918,575

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

LOUISE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 3,471,627	\$ 96,592	\$ 3,568,219
5800 State Program Revenues	2,397,510	68,796	2,466,306
5900 Federal Program Revenues	22,267	311,753	334,020
5020 Total Revenues	<u>5,891,404</u>	<u>477,141</u>	<u>6,368,545</u>
EXPENDITURES:			
Current:			
0011 Instruction	3,161,698	203,767	3,365,465
0012 Instructional Resources and Media Services	36,160	-	36,160
0013 Curriculum and Instructional Staff Development	27,552	-	27,552
0023 School Leadership	393,466	-	393,466
0031 Guidance, Counseling and Evaluation Services	75,005	-	75,005
0033 Health Services	36,135	-	36,135
0034 Student (Pupil) Transportation	247,682	-	247,682
0035 Food Services	27,210	267,377	294,587
0036 Extracurricular Activities	254,163	-	254,163
0041 General Administration	471,346	-	471,346
0051 Facilities Maintenance and Operations	683,324	98,053	781,377
0052 Security and Monitoring Services	19,237	-	19,237
0053 Data Processing Services	38,486	-	38,486
Debt Service:			
0071 Principal on Long-Term Debt	176,568	-	176,568
0072 Interest on Long-Term Debt	39,343	-	39,343
Capital Outlay:			
0081 Facilities Acquisition and Construction	103,850	-	103,850
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	69,759	-	69,759
6030 Total Expenditures	<u>5,860,984</u>	<u>569,197</u>	<u>6,430,181</u>
1200 Net Change in Fund Balances	30,420	(92,056)	(61,636)
0100 Fund Balance - September 1 (Beginning)	<u>2,038,223</u>	<u>230,813</u>	<u>2,269,036</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,068,643</u>	<u>\$ 138,757</u>	<u>\$ 2,207,400</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, 2019

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (61,636)
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.	461,450
GASB 68 required that certain expenditures be de-expended and recorded as a deferred outflow of resources. These contributions made after the measurement date of the plan increased net position by \$76,109. Contributions made before the measurement date and during the previous fiscal year were expended and decreased the net pension liability by \$82,211. 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 net position by \$148,297. The impact of all of these factors is to decrease net position by \$154,399.	(154,399)
GASB 75 required that certain expenditures be de-expended and recorded as a deferred outflow of resources. These contributions made after the measurement date of the plan caused an increase in net position in the amount of \$31,486. Contributions made before the measurement date and during the previous fiscal year were expended and decreased the net pension liability by \$39,268. The District's proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased net pension expense by \$66,599. The impact of all of these factors is to decrease net position by \$74,381.	(74,381)
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.	(349,444)
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 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.	171,062
Change in Net Position of Governmental Activities	<u><u>\$ (7,348)</u></u>

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

LOUISE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2019

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 148,908	\$ 55,386
Investments - Current	40,010	-
Total Assets	<u>188,918</u>	<u>\$ 55,386</u>
LIABILITIES		
Accounts Payable	3,000	\$ -
Due to Student Groups	-	55,386
Total Liabilities	<u>3,000</u>	<u>\$ 55,386</u>
NET POSITION		
Unrestricted Net Position	<u>185,918</u>	
Total Net Position	<u>\$ 185,918</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, 2019

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 20,655
Total Additions	<u>20,655</u>
DEDUCTIONS:	
Other Operating Costs	<u>7,440</u>
Total Deductions	<u>7,440</u>
Change in Net Position	13,215
 Total Net Position - September 1 (Beginning)	 <u>172,703</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 185,918</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, 2019

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, 2019

A. Summary of Significant Accounting Policies (Continued)

b. Measurement Focus, Basis of Accounting

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

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

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

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

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

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies (Continued)

Financial Statement Amounts

a. Property Taxes

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

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. Property taxes receivable are presented in the accompanying statement of net position and balance sheet as of August 31, 2019.

b. Inventories and Prepaid Items

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

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

c. Capital Assets

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

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

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

d. Receivable and Payable Balances

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

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

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies (Continued)

e. Interfund Activity

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

f. Use of Estimates

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

g. Data Control codes

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

Fund Balance Policy

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

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

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

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

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies (Concluded)

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

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

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

B. Deposits and Investments

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

Cash Deposits

At August 31, 2019, the carrying amount of the District's deposit (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,207,400 (of which \$40,010 was invested in certificates of deposit and included in current investments) and the bank balance was \$2,306,648. The District's cash deposits at August 31, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

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

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

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

B. Deposits and Investments (Continued)

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

Fair Value Measurements

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

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

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

The District's investments as of August 31, 2019 consist entirely of (interest-bearing bank accounts, certificates of deposit, investments pools) and are not subject to fair value measurements as follows:

<u>Investment or Investment Type</u>	<u>Reported Amount</u>
Certificates of Deposit	\$ 40,010
TexPool	710
Total Investments	<u>\$ 40,720</u>

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

B. Deposits and Investments (Continued)

At August 31, 2019, the District's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

B. Deposits and Investments (Concluded)

Public Funds Investment Pools

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

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

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

C. Capital Assets

Capital asset activity for the year ended August 31, 2019, 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
Construction in Progress	1,045,334	-	1,045,334	-
Capital Assets Being Depreciated				
Building and Improvements	8,952,467	1,308,822	-	10,261,289
Vehicles, Furniture and Equipment	1,363,733	27,765	48,241	1,343,257
Total Capital Assets at Historical Cost	<u>11,584,941</u>	<u>1,336,587</u>	<u>1,093,575</u>	<u>11,827,953</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	4,715,745	272,107	-	4,987,852
Vehicles, Furniture and Equipment	1,058,227	77,337	41,870	1,093,694
Total Accumulated Depreciation	<u>5,773,972</u>	<u>349,444</u>	<u>41,870</u>	<u>6,081,546</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,810,969</u>	<u>\$ 987,143</u>	<u>\$ 1,051,705</u>	<u>\$ 5,746,407</u>

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

C. Capital Assets (Concluded)

Depreciation was charged to functions as follows:

Instruction	\$ 139,930
Instructional Resources and Media Services	3,473
Curriculum and Staff Development	944
School Leadership	21,798
Student Transportation	50,225
Food Service	7,588
Extracurricular Activities	75,112
General Administration	13,036
Facilities Maintenance and Operations	36,240
Security and Monitoring Services	1,098
Total	\$ 349,444

D. Interfund Balances and Activities

Due to and From Other Funds

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

Due to Fund	Due From Fund	Amount	Purpose
General Fund	Special Revenue Funds	\$ 30	Short-term loans
Capital Projects Fund	General Fund	112	Short-term loans
		\$ 142	

All amounts are scheduled to be repaid within one year.

E. Long-Term Obligations

Maintenance Tax Notes

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

Capital Lease

During the fiscal year ended August 31, 2014, the Board of Trustees approved a lease-purchase agreement of \$91,686 for the acquisition of a bus. An additional capital lease of \$ 87,189 was approved by the Board of Trustees during the fiscal year ended August 31, 2017 for the acquisition of a bus.

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

E. Long-Term Obligations (Concluded)

Long Term Debt Activity

Changes in long-term obligations for the year ended August 31, 2019, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
<u>Governmental Activities:</u>					
Maint. Tax Note, Series 2010	\$ 170,000	\$ -	\$ 85,000	\$ 85,000	\$ 85,000
Maint. Tax Note, Series 2017	1,230,000	-	70,000	1,160,000	75,000
Total Maint. Tax Notes	1,400,000	-	155,000	1,245,000	160,000
Capital Lease	43,670	-	21,568	22,102	22,102
Total	<u>\$ 1,443,670</u>	<u>\$ -</u>	<u>\$ 176,568</u>	<u>\$ 1,267,102</u>	<u>\$ 182,102</u>

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

	Maintenance Tax Notes		
Year Ending August 31,	Principal	Interest	Total
2020	\$ 160,000	\$ 34,478	\$ 194,478
2021	75,000	31,425	106,425
2022	80,000	29,100	109,100
2023	80,000	26,700	106,700
2024	85,000	24,225	109,225
2025 - 2029	455,000	81,375	536,375
2030 - 2032	310,000	14,100	324,100
Total	<u>\$ 1,245,000</u>	<u>\$ 241,403</u>	<u>\$ 1,486,403</u>

	Capital Lease		
Year Ending August 31,	Principal	Interest	Total
2020	<u>\$ 22,102</u>	<u>\$ 549</u>	<u>\$ 22,651</u>

	Total Long-Term Obligations		
Year Ending August 31,	Principal	Interest	Total
2020	\$ 182,102	\$ 35,027	\$ 217,129
2021	75,000	31,425	106,425
2022	80,000	29,100	109,100
2023	80,000	26,700	106,700
2024	85,000	24,225	109,225
2025 - 2029	455,000	81,375	536,375
2030 - 2032	310,000	14,100	324,100
Total	<u>\$ 1,267,102</u>	<u>\$ 241,952</u>	<u>\$ 1,509,054</u>

The interest rate on the maintenance tax notes series 2010 and 2017 are 1.89% and 3.00%, respectively. The interest rates on the capital lease range from 2.27% to 2.48%. Interest expense on all long-term debt totaled \$38,792 for the year ended August 31, 2019.

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

G. Pension Plan

Plan Description

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

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, 2019

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

	Contribution Rates	
	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Current Fiscal Year Employer Contributions		\$ 76,109
Current Fiscal Year Member Contributions		\$ 271,312
Measurement Year NECE On-Behalf Contributions		\$ 194,022

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 or a privately sponsored source.

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

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

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

G. Pension Plan (Continued)

- 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, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

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

Discount Rate

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

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

G. Pension Plan (Continued)

Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns
Global Equity:			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value:			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.0%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return:			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.0%	0.00%
Risk Parity:			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectations			2.30%
Volatility Drag ²			-0.79%
Total	100.00%		7.25%

¹ Target allocations are based on the FY2016 policy model.

² 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 (6.907%) in measuring the net pension liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
Proportionate Share of the Net Pension Liability	\$ 1,901,533	\$ 1,259,927	\$ 740,510

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

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

At August 31, 2019, the District reported a liability of \$1,259,927 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 1,259,927
State's Proportionate Share that is Associated with the District	<u>3,172,120</u>
Total	<u>\$ 4,432,047</u>

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

At August 31, 2018, the employer's proportionate share of the collective net pension liability was .0022890113%, an increase of .0002001708% from its proportionate share measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation

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

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increases for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

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

For the year ended August 31, 2019, the District recognized pension expense of \$544,463 and revenue of \$313,955 for support provided by the State.

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

G. Pension Plan (Concluded)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experiences	\$ 7,853	\$ 30,914
Changes in Actuarial Assumptions	454,265	14,196
Difference Between Projected and Actual Investment Earnings	-	23,906
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	292,618	11
Total as of August 31, 2018 Measurement Date	754,736	69,027
Contributions Paid to TRS Subsequent to the Measurement Date	76,109	-
Total as of August 31, 2019	<u>\$ 830,845</u>	<u>\$ 69,027</u>

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

Year ended August 31:	Pension Expense Amount
2020	\$ 181,403
2021	131,096
2022	115,053
2023	106,220
2024	95,264
Thereafter	56,673

For the year ended August 31, 2019, the changes to the TRS net pension liability were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	<u>\$ 667,899</u>	<u>\$ 669,139</u>	<u>\$ 77,111</u>	<u>\$ 1,259,927</u>

H. Defined Other Post-Employment Benefit Plan

Plan Description

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

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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H. Defined Other Post-Employment Benefit Plan (Continued)

OPEB Plan Fiduciary Net Position

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

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1) at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of the two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLA's.

The premium rates for health insurance in the following table are based on years of service of the retiree. The schedule below shows the monthly rates for the average retiree with 20 to 29 years of service for the plan with Medicare Parts A&B coverage.

<p style="text-align: center;">TRS-Care Plan Premium Rates Effective September 1, 2016 – December 31, 2017</p>			
	<p style="text-align: center;">TRS-Care 1 Basic Plan</p>	<p style="text-align: center;">TRS-Care 2 Optional Plan</p>	<p style="text-align: center;">TRS-Care 3 Optional Plan</p>
Retiree or Surviving Spouse	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree or Surviving Spouse and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

The new premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018 and are reflected in the following table.

<p style="text-align: center;">TRS-Care Monthly Premium Rates Effective January 1, 2018 – December 31, 2018</p>		
	<p style="text-align: center;">Medicare</p>	<p style="text-align: center;">Non-Medicare</p>
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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

Contributions

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

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

	Contribution Rates	
	2018	2019
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current Fiscal Year Employer Contributions		\$ 31,486
Current Fiscal Year Member Contributions		\$ 22,973
Measurement Year NECE On-Behalf Contributions		\$ 38,175

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Legislature, House Bill 30, provided an additional \$212 million in one-time supplemental funding for the 2018-2019 biennium to continue to support the program. This was also received in fiscal year 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

Actuarial Assumptions

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

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in this OPEB valuation were identical to those used in the respective TRS pension valuation.

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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H. Defined Other Post-Employment Benefit Plan (Continued)

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

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 that was rolled forward to August 31, 2018 TRS pension actuarial valuation: rates of mortality, rates of retirement, rates of termination, rates of disability incidence, general inflation, wage inflation, and expected payroll growth.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate *	3.69% *
Aging Factors	Based on plan specific experience
Election Rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases **	3.05% - 9.05% **
Ad Hoc Post-Employment Benefit Changes	None

* Source: Fixed Income Municipal Bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.

** Includes inflation at 2.50%.

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

- The 2018 thresholds of \$850/\$2,292 were indexed annually by 2.5%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

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

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1.00% less than and 1.00% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District’s Proportionate Share of the Net OPEB Liability	<u>\$ 2,950,824</u>	<u>\$ 2,478,968</u>	<u>\$ 2,105,700</u>

Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare costs trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
Proportionate Share of the Net OPEB Liability	<u>\$ 2,058,824</u>	<u>\$ 2,478,968</u>	<u>\$ 3,032,308</u>

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

At August 31, 2019, the District reported a liability of \$2,478,968 for its proportionate share of the TRS’s Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net OPEB Liability	\$ 2,478,968
State's Proportionate Share that is Associated with the District	<u>2,766,962</u>
Total	<u>\$ 5,245,930</u>

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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

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

At August 31, 2018, the employer's proportionate share of the collective Net OPEB Liability was 0.0049647966%, an increase of 0.0005683837% from its proportionate share measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation

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

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed by TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.
- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during plan years 2018 through 2021, requiring members to contribute \$200 per month towards health insurance premiums.

For the year ended August 31, 2019, the District recognized OPEB Expense of \$206,512 and revenue of \$100,645 for support provided by the State.

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experiences	\$ 131,550	\$ 39,122
Changes in Actuarial Assumptions	41,367	744,788
Difference Between Projected and Actual Investment Earnings	434	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	311,667	-
Total as of August 31, 2018 Measurement Date	485,018	783,910
Contributions Paid to TRS Subsequent to the Measurement Date	31,486	-
Total as of August 31, 2019	<u>\$ 516,504</u>	<u>\$ 783,910</u>

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

Year ended August 31:	OPEB Expense Amount
2020	\$ (58,793)
2021	(58,793)
2022	(58,793)
2023	(58,877)
2024	(58,924)
Thereafter	(4,712)

For the year ended August 31, 2019, the changes to the TRS net OPEB liability were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	<u>\$ 1,911,835</u>	<u>\$ 601,383</u>	<u>\$ 34,250</u>	<u>\$ 2,478,968</u>

I. Health Care Coverage – Retirees and Active Employees

Retiree Health Care Coverage

Plan Description

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

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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

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 contribution rate for the active employees was 0.65% for the years ended August 31, 2019, 2018, and 2017. The contribution rate for the State was 1.00% for the year ended August 31, 2017 and 1.25% for the years ended August 31, 2018 and 2019. The contribution rate for the District was 0.55% for the year ended August 31, 2017 and 0.75% for the years ended August 31, 2018 and 2019. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

Contributions

Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf of the District's employees as well as the Member's and District's required contributions for the years ended August 31, 2019, 2018, and 2017 are as follows:

Contribution Rates and Contribution Amounts						
Year	Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2019	0.65%	\$ 22,973	1.25%	\$ 41,717	0.75%	\$ 26,508
2018	0.65%	20,385	1.25%	38,729	0.75%	23,521
2017	0.65%	19,664	1.00%	28,429	0.55%	16,639

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which became effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2019, 2018, and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$12,151, \$9,469, and \$9,369, respectively.

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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

Active Employee Health Care Coverage

Plan Description

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

J. Commitments and Contingencies

Contingencies

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

K. Shared Services Arrangements

The District participates in a shared services arrangement (“SSA”) with several other school districts for special education services. The District does not account for revenues or expenditures in this program and does not disclose them in its financial statements. The District has neither a joint ownership interest in capital assets purchased by the fiscal agent, El Campo I.S.D., nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA. In accordance with the Resource Guide, the payments to the fiscal agent are recorded as expenditures in Function 93, “Payments Related to Shared Services Arrangements.” Latest financial statements for the SSA are available for year ended August 31, 2018, from the fiscal agent.

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

L. Local and Intermediate Revenue

During the year ended August 31, 2019, local and intermediate revenues consisted of the following:

Revenue Description	Fund	Amount
Property Taxes Including Penalties and Interest	General Fund	\$ 3,124,923
Interest Income from Temporary Investments	General Fund	50,205
Athletic Activities	General Fund	16,102
Gifts and Bequests	General Fund	94,759
Rent	General Fund	6,584
Chapter 313	General Fund	150,000
Other Miscellaneous Revenues	General Fund	29,054
Total General Fund		<u>3,471,627</u>
Property Taxes Including Penalties and Interest	Debt Service Fund	187
Interest Income from Temporary Investments	Debt Service Fund	104
Revenues from Meals Served	Special Revenue Fund	77,858
Gifts and Bequests	Special Revenue Fund	16,000
Other Miscellaneous Revenues	Special Revenue Fund	2,443
Total Other Funds		<u>96,592</u>
Total Governmental Funds		<u>\$ 3,568,219</u>

Required Supplementary Information

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

LOUISE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2019

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	\$ 3,027,740	\$ 3,491,440	\$ 3,471,627	\$ (19,813)
5800 State Program Revenues	2,280,868	2,359,168	2,397,510	38,342
5900 Federal Program Revenues	-	25,000	22,267	(2,733)
5020 Total Revenues	5,308,608	5,875,608	5,891,404	15,796
EXPENDITURES:				
Current:				
0011 Instruction	2,834,682	3,207,689	3,161,698	45,991
0012 Instructional Resources and Media Services	36,271	36,771	36,160	611
0013 Curriculum and Instructional Staff Development	42,988	39,981	27,552	12,429
0023 School Leadership	385,224	395,724	393,466	2,258
0031 Guidance, Counseling and Evaluation Services	71,943	76,143	75,005	1,138
0033 Health Services	36,000	37,300	36,135	1,165
0034 Student (Pupil) Transportation	307,000	277,000	247,682	29,318
0035 Food Services	-	28,000	27,210	790
0036 Extracurricular Activities	245,000	266,000	254,163	11,837
0041 General Administration	399,797	538,797	471,346	67,451
0051 Facilities Maintenance and Operations	594,500	690,500	683,324	7,176
0052 Security and Monitoring Services	26,000	26,000	19,237	6,763
0053 Data Processing Services	33,000	39,500	38,486	1,014
Debt Service:				
0071 Principal on Long-Term Debt	176,600	176,600	176,568	32
0072 Interest on Long-Term Debt	39,400	39,400	39,343	57
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	107,000	103,850	3,150
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	80,203	75,203	69,759	5,444
6030 Total Expenditures	5,308,608	6,057,608	5,860,984	196,624
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(182,000)	30,420	212,420
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	(6,000)	-	6,000
1200 Net Change in Fund Balances	-	(188,000)	30,420	218,420
0100 Fund Balance - September 1 (Beginning)	2,038,223	2,038,223	2,038,223	-
3000 Fund Balance - August 31 (Ending)	\$ 2,038,223	\$ 1,850,223	\$ 2,068,643	\$ 218,420

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, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.002289011%	0.00208884%	0.001844297%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,259,927	\$ 667,899	\$ 696,933
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	3,172,120	1,866,075	2,178,144
Total	<u>\$ 4,432,047</u>	<u>\$ 2,533,974</u>	<u>\$ 2,875,077</u>
District's Covered Payroll	\$ 3,145,638	\$ 3,025,164	\$ 2,887,165
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	40.05%	22.08%	24.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

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, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only five 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."

FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
0.0018777%		0.0005623%	
\$	663,742	\$	150,198
2,102,456		1,830,784	
\$	2,766,198	\$	1,980,982
\$	2,790,164	\$	2,714,684
23.79%		5.53%	
78.43%		83.25%	

LOUISE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2019

	2019	2018	2017
Contractually Required Contribution	\$ 76,109	\$ 82,211	\$ 68,856
Contribution in Relation to the Contractually Required Contribution	(76,109)	(82,211)	(68,856)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 3,534,319	\$ 3,145,638	\$ 3,025,164
Contributions as a Percentage of Covered Payroll	2.15%	2.61%	2.28%

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 of the preceding years.

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

2016		2015	
\$	58,598	\$	55,279
	(58,598)		(55,279)
\$	-	\$	-
\$	2,887,165	\$	2,790,164
	2.03%		1.98%

LOUISE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2019

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

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

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

LOUISE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2019

	2019	2018
Contractually Required Contribution	\$ 31,486	\$ 39,268
Contribution in Relation to the Contractually Required Contribution	(31,486)	(39,268)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 3,534,319	\$ 3,145,638
Contributions as a Percentage of Covered Payroll	0.89%	1.25%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

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

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2019

Budgetary Data

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

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
- c. Prior to September 1, the budget is legally enacted through passage of a resolution of the Board.

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

Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

TRS Pension Plan

Changes of Benefit Terms

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

Changes of Assumptions

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increases for individual participants were updated based on the same experience study.
- The discount rate changed from 8.00% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.00% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

LOUISE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2019

TRS OPEB Plan

Changes of Benefit Terms

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

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventative drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

Changes of Assumptions

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

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed by TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability by \$2.3 billion.

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

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

Other Supplementary Information

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

LOUISE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2019

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
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	1.150000	0.050000	238,196,311
2017	1.140000	0.000000	245,255,862
2018	1.170000	0.000000	262,030,775
2019 (School year under audit)	1.170000	0.000000	268,602,606
1000 TOTALS			

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$ 33,374	\$ -	\$ 661	\$ 13	\$ (25,403)	\$ 7,297
2,333	-	-	-	(702)	1,631
1,533	-	34	1	(641)	857
3,950	-	181	5	(2,138)	1,626
3,776	-	231	6	(585)	2,954
21,131	-	1,157	50	3,070	22,994
35,985	-	1,062	46	1,414	36,291
46,029	-	7,641	-	78,722	117,110
80,334	-	29,775	-	(4,454)	46,105
-	3,142,650	3,048,442	-	(22,534)	71,674
<u>\$ 228,445</u>	<u>\$ 3,142,650</u>	<u>\$ 3,089,184</u>	<u>\$ 121</u>	<u>\$ 26,749</u>	<u>\$ 308,539</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, 2019

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	\$ 79,000	\$ 78,885	\$ 78,603	\$ (282)
5800 State Program Revenues	11,000	11,115	9,076	(2,039)
5900 Federal Program Revenues	180,000	195,000	180,940	(14,060)
5020 Total Revenues	270,000	285,000	268,619	(16,381)
EXPENDITURES:				
Current:				
0035 Food Services	270,000	285,000	267,377	17,623
6030 Total Expenditures	270,000	285,000	267,377	17,623
1100 Excess of Revenues Over Expenditures	-	-	1,242	1,242
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	6,000	-	(6,000)
1200 Net Change in Fund Balances	-	6,000	1,242	(4,758)
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 6,000	\$ 1,242	\$ (4,758)

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, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 500	\$ 500	\$ 292	\$ (208)
5020 Total Revenues	500	500	292	(208)
1200 Net Change in Fund Balances	500	500	292	(208)
0100 Fund Balance - September 1 (Beginning)	6,712	6,712	6,712	-
3000 Fund Balance - August 31 (Ending)	\$ 7,212	\$ 7,212	\$ 7,004	\$ (208)



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, 2019, 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 November 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louise Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louise Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Louise Independent School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louise Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

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

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

November 6, 2019

LOUISE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2019

There were no findings requiring disclosures noted.

LOUISE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019

There were no findings noted during the prior year audit.