

**LONGVIEW
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2016

Introductory Section

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Longview Independent School District
Annual Financial Report
For The Year Ended August 31, 2016

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CERTIFICATE OF BOARD

Longview Independent School District
Name of School District

Gregg
County

092-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2016, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

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)

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Financial Section

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KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

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Sherry Davis, CPA
Chanie A. Johnson, CPA

Independent Auditors' Report

To the Board of Trustees
Longview Independent School District
1301 E. Young
Longview, Texas 75602

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Longview Independent School District ("the District") as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Longview Independent School District as of August 31, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Changes in Accounting Principles

As described in Note A to the financial statements, in 2016, Longview Independent School District adopted new accounting guidance as follows:

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*.
Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.
Governmental Accounting Standards Board Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.
Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Longview Independent School District's basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2017 on our consideration of Longview Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Longview Independent School District's internal control over financial reporting and compliance.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
January 4, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Longview Independent School District’s annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year ended 8/31/16. Please read it in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

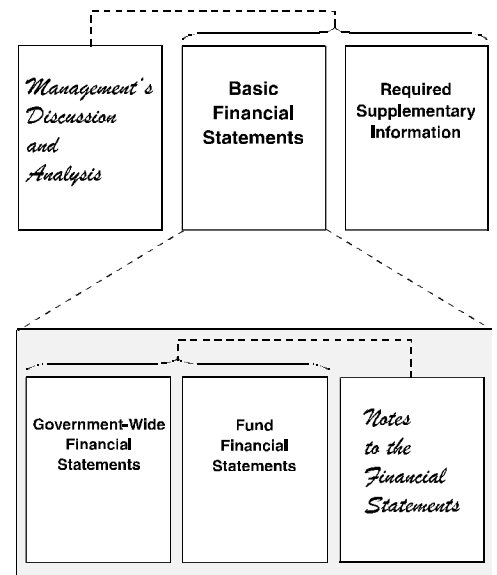
- i The District’s total combined net position, including business-type activities, was \$102,124,901 at 8/31/16.
- i During the year, the District’s expenses were \$7,297,464 less than the \$102,406,271 generated in taxes and other revenues for governmental activities and business-type activities.
- i The general fund reported a fund balance this year of \$35,740,010.
- i The District increased salaries for professional, paraprofessional, auxiliary and manual trade staff at 3% of their pay grade midpoint and increased salaries for teachers, counselors, librarians, and nurses by one step. Performance incentives were paid in the amount of \$490,457.
- i Work was completed on the new softball field at the High School. The demolition of the downtown auditorium, TG Field, was completed. Phase 3 of HVAC at Longview High School was completed. \$158,739 was spent to bring all playgrounds into compliance with current safety standards. Board approval was given to begin work on the construction of a new Montessori PK-K campus on a tract of land located at 410 N Eastman Rd. and 2014 E Marshall with Huckabee serving as the architectural firm and WRL winning the general contractor bid. The expected cost for the completion of the Montessori is approximately \$31,250,000. The District spent \$1,100,000 to purchase the Budget Inn located on 4.3863 acres at 2020 E Marshall Avenue for the purpose of demolition.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- i 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.
- i 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.
- i *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- i *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
- i *Fiduciary fund* statements 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.

Figure A-1. Required Components of the District’s Annual Financial Report



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. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

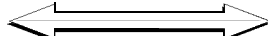
Summary  Detail

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	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 & 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, short-term and long-term	Only assets expected to be used up 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

Figure A-2 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.

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—the difference between the District's assets, deferred outflows, liabilities, and deferred inflows—is one way to measure the District's financial health or *position*.

- i Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- i To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—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 particular purposes.

- i Some funds are required by State law and by bond covenants.
- i 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:

- i *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 to 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 programs. 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 governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- i *Proprietary funds* are used to account for operations that are financed similar to those found in the private sector. Proprietary funds provide both long and short-term financial information and include enterprise and internal service funds. The District has one enterprise fund. Enterprise funds are used to report the same functions represented as business-type activities in government-wide financial statements. The District uses an enterprise fund to account for its Longview Voice Newspaper.
- i *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$102,124,901 at 8/31/16. (See Table A-1).

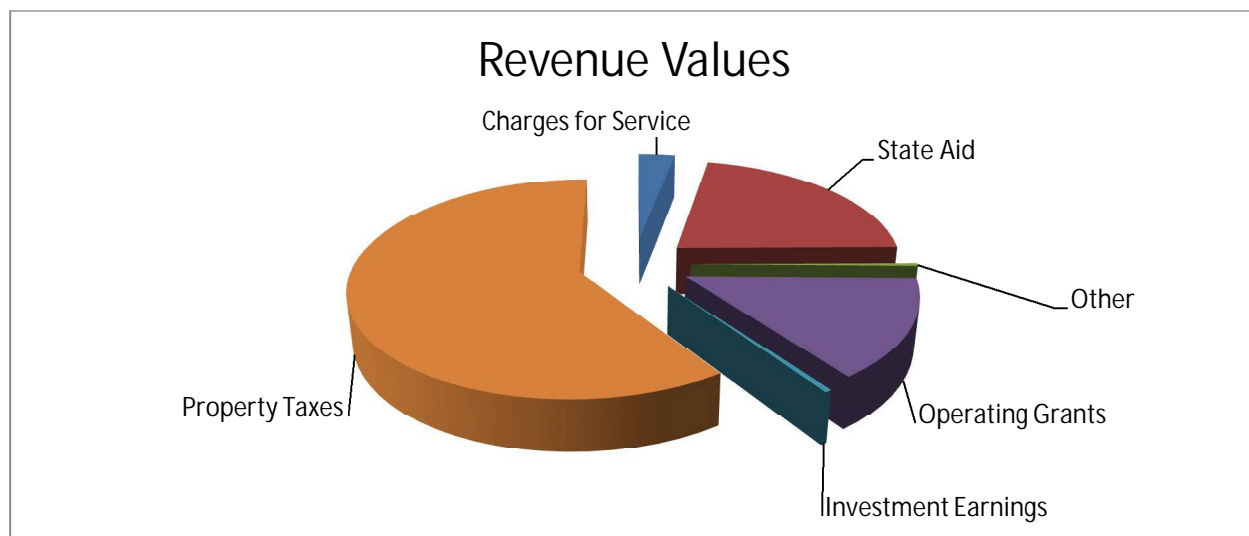
Table A-1
Longview Independent School District's Net Position
(In millions of dollars)

	Governmental Activities		Business Type Activities		Total		Percentage Change
	2015	2016	2015	2016	2015	2016	2015-16
Current Assets:							
Cash and Cash Equivalents	43.403	40.420	-	-	43.403	40.420	(6.87)
Current Investments	36.167	25.979	-	-	36.167	25.979	(28.17)
Property Taxes Receivable	3.522	3.181	-	-	3.522	3.181	(9.68)
Due from Other Government	2.004	2.757	-	-	2.004	2.757	37.57
Accrued Interest	.011	.015	-	-	.011	.015	36.36
Internal Balances	-	.001	-	(.001)	-	-	-
Other Receivables	.082	.113	-	.004	.082	.117	42.68
Inventories – at cost	.607	.685	-	-	.607	.685	12.85
Unrealized Expenses	.068	.021	-	-	.068	.021	(69.12)
Total Current Assets	85.864	73.172	-	.003	85.864	73.175	(14.78)
Noncurrent Assets:							
Bldg., Furn. & Eqmt., CIP, net	258.218	262.686	-	-	258.218	262.686	1.73
Long-Term Investments	2.997	3.596	-	-	2.997	3.596	19.99
Land	11.273	12.607	-	-	11.273	12.607	11.83
Total Noncurrent Assets	272.488	278.889	-	-	272.488	278.889	2.35
Total Assets	358.352	352.061	-	.003	358.352	352.064	(1.75)
Total Deferred Outflows of Resources	2.025	14.133	-	-	2.025	14.133	597.93
Current Liabilities:							
Cash Overdraft	-	-	-	.002	-	.002	100.00
Accounts Payable and Accrued Liabilities	5.632	7.269	-	-	5.632	7.269	29.07
Bonds Payable	5.247	5.193	-	-	5.247	5.193	(1.03)
Due to Other Governments	.324	.004	-	-	.324	.004	(98.77)
Unearned Revenue	.410	.516	-	-	.410	.516	25.85
Total Current Liabilities	11.613	12.982	-	.002	11.613	12.984	11.81
Long-term Liabilities:							
Bonds Payable	242.926	233.826	-	-	242.926	233.826	(3.75)
Net Pension Liability	8.432	16.065	-	-	8.432	16.065	90.52
Total Liabilities	262.971	262.873	-	.002	262.971	262.875	(0.04)
Total Deferred Inflows of Resources	2.579	1.196	-	-	2.579	1.196	(53.63)
Net Position:							
Invested in Capital Assets	21.319	43.269	-	-	21.319	43.269	102.96
Restricted	24.857	11.046	-	-	24.857	11.046	(55.56)
Unrestricted	48.651	47.809	-	.001	48.651	47.810	(1.73)
Total Net Position	94.827	102.124	-	.001	94.827	102.125	7.70

Restricted Net Position is dedicated to various uses, namely: debt service, state and federal programs, capital projects, and campus activities. The \$47,810,029 of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in net position. The District's total revenues were \$102,406,271. A significant portion, \$61,044,360 or 60%, of the District's revenue comes from taxes. (See Figure Below) 37% comes from State Aid, Operating Grants and Contributions, while only 3% relates to charges for services and investment earnings.

The total cost of all programs and services was \$95,108,807; 73% of these costs are for instructional and student services.



Governmental Activities

- i Even though an additional \$10,000 homestead exemption was granted by the Texas Legislature, property taxable values increased by 0.41%, resulting in an increase in the tax levy of \$248,838. The tax rate remained unchanged from the prior year.

Table A-2
Changes in Longview Independent School District's Net Position
(In millions of dollars)

	Governmental Activities		Business Type Activities		Total		Total Percentage Change
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015-16</u>
Program Revenues:							
Charges for Services	3.408	3.105	-	.017	3.408	3.122	(8.39)
Operating Grants and Contributions	13.760	15.058	-	-	13.760	15.058	9.43
General Revenues							
Property Taxes	62.009	61.044	-	-	62.009	61.044	(1.56)
State Aid	19.643	22.322	-	-	19.643	22.322	13.64
Investment Earnings	.265	.444	-	-	.265	.444	67.55
Other	.502	.416	-	-	.502	.415	(17.13)
Total Revenues	99.587	102.389	-	.017	99.587	102.406	2.83
Expenses:							
Instruction	43.794	45.159	-	-	43.7944	45.159	3.12
Instructional Resources and Media Services	.619	.619	-	-	.619	.619	-
Curriculum Dev. and Instructional Staff Dev.	.985	1.463	-	-	.985	1.463	48.53
Instructional Leadership	1.904	2.196	-	-	1.904	2.196	15.34
School Leadership	4.326	4.587	-	-	4.326	4.587	6.03
Guidance, Counseling and Evaluation Services	2.855	2.909	-	-	2.855	2.909	1.89
Social Work Services	.042	.094	-	-	.042	.094	123.81
Health Services	.631	.774	-	-	.631	.774	22.66
Student (Pupil) Transportation	3.019	3.248	-	-	3.019	3.248	7.59
Food Services	5.262	5.369	-	-	5.262	5.369	2.03
Curricular/Extracurricular Activities	2.476	2.649	-	-	2.476	2.649	6.99
General Administration	2.648	2.703	-	-	2.648	2.703	2.08
Plant Maintenance & Oper.	9.188	9.250	-	-	9.188	9.250	.67
Security & Monitoring Svcs.	.620	.661	-	-	.620	.661	6.61
Data Processing Services	1.105	1.211	-	-	1.105	1.211	9.59
Community Services	.862	1.047	-	-	.862	1.047	21.46
Debt Service	11.310	9.428	-	-	11.310	9.428	(16.64)
Bond Issuance Costs	.003	.865	-	-	.003	.865	28,733.33
Facilities Acquisition and Construction	.039	.001	-	-	.039	.001	(97.44)
Other							
Intergovernmental Charges	.827	.860	-	-	.827	.860	3.99
Longview Voice Newspaper	-	-		.017	-	.017	100.00
Total Expenses	92.515	95.092	-	.017	92.515	95.109	2.80
Special Item Outflow	(.324)	-	-	-	(.324)	-	(100.00)
Increase (Decrease) in Net Position	6.748	7.297	-	.001	6.748	7.298	8.15
Beginning Net Position	97.632	94.827	-	-	97.632	94.827	(2.87)
Prior Period Adjustment	(9.553)	-	-	-	(9.553)	-	(100.00)
Ending Net Position	94.827	102.124	-	.001	94.827	102.125	7.70

Table A-3 (below) presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- i The cost of all *governmental* activities this year was \$95,091,907.
- i The amount received from taxpayers for these activities was \$61,044,360.
- i Some of the cost was paid by those who directly benefited from the programs, totaling \$3,104,680, or by grants and contributions totaling \$15,058,151.

Table A-3
Net Cost of Longview Independent School District Functions
(in millions of dollars)

	Total Cost of Services			Net Cost of Services		
	<u>2015</u>	<u>2016</u>	<u>% Change</u>	<u>2015</u>	<u>2016</u>	<u>% Change</u>
Instruction	45.399	47.241	4.06	36.121	37.614	4.13
School Administration	6.230	6.783	8.88	5.832	6.101	4.61
Student Support Services	14.285	15.043	5.31	8.108	8.744	7.84
Plant Maintenance & Operations	9.188	9.250	.67	9.038	9.019	(0.21)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$100,644,793, an increase of 1.25% over the preceding year. The modest increase is a result of additional state revenue.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 13 times. Actual expenditures were \$6,635,549 below final budget amounts. The most significant positive variance resulted from instruction. Final costs for instruction were below the amount anticipated and initially budgeted.

In order to prevent budget deficits, the district made a concerted effort to provide for adequate budget amounts in all functions in the event of a contingency.

Revenues generated were \$3,842,521 above the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had invested \$275,292,422 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4) This amount represents a net increase (including additions and deductions) of \$5,801,285, or 2.15% over the prior year.

Table A-4
Longview Independent School District's Capital Assets
(In millions of dollars)

	Governmental Activities		Total Percentage Change
	<u>2015</u>	<u>2016</u>	<u>2015-16</u>
Land	11.273	12.607	11.83
Buildings and improvements	286.215	288.664	.86
Vehicles	5.348	5.649	5.63
Equipment	14.147	14.723	4.07
Construction in progress	3.152	11.887	277.13
Totals at historical cost	320.135	333.530	4.18
Total accumulated depreciation	50.644	58.238	14.99
Net capital assets	<u>269.491</u>	<u>275.292</u>	<u>2.15</u>

More detailed information about the District's capital assets is presented in the notes to the financial statements.

Long Term Debt

At year-end the District had \$223,042,163 in bonds outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

Table A-5
Longview Independent School District's Long Term Debt
(In millions of dollars)

	Governmental Activities		Total Percentage Change
	<u>2015</u>	<u>2016</u>	<u>2015-16</u>
Bonds Payable	233.294	214.167	(8.20)
Accreted Interest on CABs	2.963	2.338	(21.09)
Premiums on Issue of Bonds	3.040	13.639	348.65
QSC Bonds	8.875	8.875	-
Unamortized loss on defeasance	-	(6.996)	(100.00)
Total Bonds Payable	<u>248.172</u>	<u>232.023</u>	<u>(6.51)</u>

Bond Ratings

The District's bonds presently carry "AAA" ratings with underlying, unenhanced ratings as follows: Standard & Poor's "AA-" and Fitch "AA".

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- i Taxable values remain constant. Student enrollment shows no drastic downturn.
- i The tax rate to support the 16/17 budget is 1.513 per hundred dollars in value. This reflects no change from the prior year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our 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 received. If you have questions about this report or need additional financial information, contact the District's Business Services Department.

Basic Financial Statements

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LONGVIEW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016

Data Control Codes		1	2	3
		Governmental Activities	Business-type Activities	Total
ASSETS:				
1110	Cash and Cash Equivalents	\$ 40,420,184	\$ --	\$ 40,420,184
1120	Current Investments	25,979,023	--	25,979,023
1225	Property Taxes Receivable (Net)	3,181,212	--	3,181,212
1240	Due from Other Governments	2,757,390	--	2,757,390
1250	Accrued Interest	14,610	--	14,610
1260	Internal Balances	1,250	(1,250)	--
1290	Other Receivables (Net)	113,028	4,100	117,128
1300	Inventories	685,146	--	685,146
1410	Unrealized Expenses	20,749	--	20,749
	Capital Assets:			
1510	Land	12,606,946	--	12,606,946
1520	Buildings and Improvements, Net	240,751,696	--	240,751,696
1530	Furniture and Equipment, Net	10,046,185	--	10,046,185
1580	Construction in Progress	11,887,595	--	11,887,595
1910	Long-Term Investments	3,596,287	--	3,596,287
1000	Total Assets	<u>352,061,301</u>	<u>2,850</u>	<u>352,064,151</u>
DEFERRED OUTFLOWS OF RESOURCES:				
	Deferred Loss on Defeasance of Bonds	6,995,842	--	6,995,842
1705	Deferred Outflow Related to Pensions	7,137,170	--	7,137,170
1700	Total Deferred Outflows of Resources	<u>14,133,012</u>	<u>--</u>	<u>14,133,012</u>
LIABILITIES:				
	Cash Overdraft	--	2,300	2,300
2110	Accounts Payable	3,600,086	--	3,600,086
2140	Interest Payable	422,293	--	422,293
2165	Accrued Liabilities	3,246,852	--	3,246,852
2180	Due to Other Governments	4,256	--	4,256
2300	Unearned Revenue	516,261	--	516,261
	Noncurrent Liabilities:			
2501	Due Within One Year	5,192,909	--	5,192,909
2502	Due in More Than One Year	233,826,318	--	233,826,318
2540	Net Pension Liability	16,065,334	--	16,065,334
2000	Total Liabilities	<u>262,874,309</u>	<u>2,300</u>	<u>262,876,609</u>
DEFERRED INFLOWS OF RESOURCES:				
2605	Deferred Inflow Related to Pensions	1,195,653	--	1,195,653
2600	Total Deferred Inflows of Resources	<u>1,195,653</u>	<u>--</u>	<u>1,195,653</u>
NET POSITION:				
3200	Net Investment in Capital Assets	43,269,037	--	43,269,037
	Restricted For:			
3820	State and Federal Programs	1,675,917	--	1,675,917
3850	Debt Service	6,717,238	--	6,717,238
3860	Capital Projects	2,557,498	--	2,557,498
3870	Campus Activities	95,182	--	95,182
3900	Unrestricted	47,809,479	550	47,810,029
3000	Total Net Position	<u>\$ 102,124,351</u>	<u>\$ 550</u>	<u>\$ 102,124,901</u>

The accompanying notes are an integral part of this statement.

LONGVIEW INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues	
			Charges for Services	Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	\$ 45,158,744	\$ 1,540,471	\$ 7,124,836
12	Instructional Resources and Media Services	618,761	8,794	39,270
13	Curriculum and Staff Development	1,463,034	10,863	902,292
21	Instructional Leadership	2,195,785	145	319,983
23	School Leadership	4,586,843	23,449	337,775
31	Guidance, Counseling, & Evaluation Services	2,908,816	--	609,587
32	Social Work Services	94,013	--	1,193
33	Health Services	773,797	--	59,195
34	Student Transportation	3,248,241	--	219,955
35	Food Service	5,369,164	596,023	4,223,253
36	Cocurricular/Extracurricular Activities	2,649,079	491,947	98,019
41	General Administration	2,703,340	--	296,466
51	Facilities Maintenance and Operations	9,249,886	25,810	204,710
52	Security and Monitoring Services	660,881	--	2,399
53	Data Processing Services	1,210,711	--	54,903
61	Community Services	1,046,921	407,178	179,111
72	Interest on Long-term Debt	9,428,017	--	385,204
73	Bond Issuance Costs and Fees	864,601	--	--
81	Capital Outlay	1,149	--	--
99	Other Intergovernmental Charges	860,124	--	--
TG	Total Governmental Activities	<u>95,091,907</u>	<u>3,104,680</u>	<u>15,058,151</u>
	Business-type Activities:			
01	Longview Voice Newspaper	16,900	17,450	--
TB	Total Business-type Activities	<u>16,900</u>	<u>17,450</u>	<u>--</u>
TP	Total Primary Government	<u>\$ 95,108,807</u>	<u>\$ 3,122,130</u>	<u>\$ 15,058,151</u>
	General Revenues:			
MT	Property Taxes, Levied for General Purposes			
DT	Property Taxes, Levied for Debt Service			
IE	Investment Earnings			
GC	Grants and Contributions Not Restricted to Specific Programs			
MI	Miscellaneous			
TR	Total General Revenues			
CN	Change in Net Position			
NB	Net Position - Beginning			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (36,493,437)		\$ (36,493,437)
(570,697)		(570,697)
(549,879)		(549,879)
(1,875,657)		(1,875,657)
(4,225,619)		(4,225,619)
(2,299,229)		(2,299,229)
(92,820)		(92,820)
(714,602)		(714,602)
(3,028,286)		(3,028,286)
(549,888)		(549,888)
(2,059,113)		(2,059,113)
(2,406,874)		(2,406,874)
(9,019,366)		(9,019,366)
(658,482)		(658,482)
(1,155,808)		(1,155,808)
(460,632)		(460,632)
(9,042,813)		(9,042,813)
(864,601)		(864,601)
(1,149)		(1,149)
(860,124)		(860,124)
<u>(76,929,076)</u>		<u>(76,929,076)</u>
--	\$ 550	550
--	550	550
<u>(76,929,076)</u>	<u>550</u>	<u>(76,928,526)</u>
42,017,951	--	42,017,951
19,026,409	--	19,026,409
443,607	--	443,607
22,322,224	--	22,322,224
415,799	--	415,799
<u>84,225,990</u>	<u>--</u>	<u>84,225,990</u>
7,296,914	550	7,297,464
94,827,437	--	94,827,437
<u>\$ 102,124,351</u>	<u>\$ 550</u>	<u>\$ 102,124,901</u>

LONGVIEW INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund
ASSETS:		
1110 Cash and Cash Equivalents	\$ 15,802,769	\$ 2,053,982
1120 Current Investments	21,016,430	619,286
1225 Taxes Receivable, Net	2,319,180	862,032
1240 Due from Other Governments	1,304,918	--
1250 Accrued Interest	6,666	7,944
1260 Due from Other Funds	905,109	--
1290 Other Receivables	106,083	--
1300 Inventories	165,737	--
1410 Unrealized Expenditures	20,389	--
1910 Long-Term Investments	--	3,596,287
1000 Total Assets	<u>\$ 41,647,281</u>	<u>\$ 7,139,531</u>
LIABILITIES:		
Current Liabilities:		
2110 Accounts Payable	\$ 814,916	\$ --
2150 Payroll Deductions & Withholdings	1,620	--
2160 Accrued Wages Payable	2,312,281	--
2170 Due to Other Funds	--	--
2180 Due to Other Governments	4,256	--
2200 Accrued Expenditures	555,616	--
2300 Unearned Revenue	92,571	--
2000 Total Liabilities	<u>3,781,260</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred Property Taxes	2,126,011	774,780
2600 Total Deferred Inflows of Resources	<u>2,126,011</u>	<u>774,780</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3410 Inventories	165,737	--
3430 Prepaid Items	20,389	--
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	--	--
3480 Retirement of Long-Term Debt	--	6,364,751
3490 Other Restrictions of Fund Balance	--	--
Committed Fund Balances:		
3510 Construction	--	--
3545 Other Committed Fund Balance	--	--
Assigned Fund Balances:		
3570 Capital Expenditures for Equipment	12,400,000	--
3600 Unassigned	23,153,884	--
3000 Total Fund Balances	<u>35,740,010</u>	<u>6,364,751</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 41,647,281</u>	<u>\$ 7,139,531</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 20,504,316	\$ 2,059,117	\$ 40,420,184
4,343,307	--	25,979,023
--	--	3,181,212
--	1,452,472	2,757,390
--	--	14,610
--	450	905,559
--	6,945	113,028
--	519,409	685,146
--	360	20,749
--	--	3,596,287
<u>\$ 24,847,623</u>	<u>\$ 4,038,753</u>	<u>\$ 77,673,188</u>
\$ 2,222,851	\$ 562,319	\$ 3,600,086
--	--	1,620
--	369,107	2,681,388
--	904,309	904,309
--	--	4,256
--	8,228	563,844
--	423,690	516,261
<u>2,222,851</u>	<u>2,267,653</u>	<u>8,271,764</u>
--	--	2,900,791
<u>--</u>	<u>--</u>	<u>2,900,791</u>
--	144,809	310,546
--	360	20,749
--	1,530,749	1,530,749
--	--	6,364,751
2,557,498	--	2,557,498
20,067,274	--	20,067,274
--	95,182	95,182
--	--	12,400,000
--	--	23,153,884
<u>22,624,772</u>	<u>1,771,100</u>	<u>66,500,633</u>
<u>\$ 24,847,623</u>	<u>\$ 4,038,753</u>	<u>\$ 77,673,188</u>

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LONGVIEW INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2016

Total fund balances - governmental funds balance sheet	\$ 66,500,633
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	275,292,422
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,900,791
Payables for bond principal which are not due in the current period are not reported in the funds.	(223,042,163)
Payables for bond interest which are not due in the current period are not reported in the funds.	(422,293)
Payables for bond premiums are not reported in the funds.	(13,638,795)
The accreted interest on capital appreciation bonds is not reported in the funds.	(2,338,269)
The loss on defeasance of debt is not reported in the funds.	6,995,842
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(16,065,334)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,195,653)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	7,137,170
Net position of governmental activities - Statement of Net Position	<u>\$ 102,124,351</u>

The accompanying notes are an integral part of this statement.

LONGVIEW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund
REVENUES:		
5700 Local and Intermediate Sources	\$ 44,339,710	\$ 19,145,786
5800 State Program Revenues	24,136,125	436,328
5900 Federal Program Revenues	1,231,258	385,204
5020 Total Revenues	<u>69,707,093</u>	<u>19,967,318</u>
EXPENDITURES:		
Current:		
0011 Instruction	35,291,972	--
0012 Instructional Resources and Media Services	539,666	--
0013 Curriculum and Staff Development	518,697	--
0021 Instructional Leadership	1,658,699	--
0023 School Leadership	3,984,622	--
0031 Guidance, Counseling, & Evaluation Services	2,127,067	--
0032 Social Work Services	85,334	--
0033 Health Services	682,952	--
0034 Student Transportation	2,901,782	--
0035 Food Service	205,245	--
0036 Cocurricular/Extracurricular Activities	2,131,467	--
0041 General Administration	2,388,962	--
0051 Facilities Maintenance and Operations	10,236,843	--
0052 Security and Monitoring Services	614,335	--
0053 Data Processing Services	944,851	--
0061 Community Services	824,902	--
0071 Principal on Long-term Debt	--	15,096,671
0072 Interest on Long-term Debt	--	10,953,942
0073 Bond Issuance Costs and Fees	--	722,582
0081 Capital Outlay	3,104,139	--
0099 Other Intergovernmental Charges	860,124	--
6030 Total Expenditures	<u>69,101,659</u>	<u>26,773,195</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>605,434</u>	<u>(6,805,877)</u>
Other Financing Sources and (Uses):		
7911 Capital-Related Debt Issued (Refunding Bonds)	--	62,200,000
7915 Transfers In	--	--
7916 Premium on Issuance of Bonds	--	11,238,676
7917 Prepaid Interest	--	212,558
8911 Transfers Out	(20,441,984)	--
8949 Payment to Escrow Agent for Bond Refunding	--	(73,367,861)
7080 Total Other Financing Sources and (Uses)	<u>(20,441,984)</u>	<u>283,373</u>
1200 Net Change in Fund Balances	<u>(19,836,550)</u>	<u>(6,522,504)</u>
0100 Fund Balances - Beginning	55,576,560	12,887,255
3000 Fund Balances - Ending	<u>\$ 35,740,010</u>	<u>\$ 6,364,751</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 23,080	\$ 1,380,025	\$ 64,888,601
--	902,879	25,475,332
--	8,664,398	10,280,860
<u>23,080</u>	<u>10,947,302</u>	<u>100,644,793</u>
--	4,286,717	39,578,689
--	10,033	549,699
--	883,855	1,402,552
--	306,225	1,964,924
--	39,085	4,023,707
--	460,894	2,587,961
--	--	85,334
--	--	682,952
--	44,650	2,946,432
--	4,571,901	4,777,146
--	243,354	2,374,821
--	15,009	2,403,971
--	--	10,236,843
--	--	614,335
--	--	944,851
--	115,508	940,410
--	--	15,096,671
--	--	10,953,942
--	--	722,582
7,763,656	--	10,867,795
--	--	860,124
<u>7,763,656</u>	<u>10,977,231</u>	<u>114,615,741</u>
<u>(7,740,576)</u>	<u>(29,929)</u>	<u>(13,970,948)</u>
--	--	62,200,000
20,441,984	--	20,441,984
--	--	11,238,676
--	--	212,558
--	--	(20,441,984)
--	--	(73,367,861)
<u>20,441,984</u>	<u>--</u>	<u>283,373</u>
12,701,408	(29,929)	(13,687,575)
9,923,364	1,801,029	80,188,208
<u>\$ 22,624,772</u>	<u>\$ 1,771,100</u>	<u>\$ 66,500,633</u>

LONGVIEW INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

Net change in fund balances - total governmental funds \$ (13,687,575)

Amounts reported for governmental activities in the Statement of Activities
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	13,699,978
The depreciation of capital assets used in governmental activities is not reported in the funds.	(7,895,043)
The gain or loss on the sale of capital assets is not reported in the funds.	3,654
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(7,305)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	123,495
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	15,096,671
The accretion of interest on capital appreciation bonds is not reported in the funds.	625,200
(Increase) decrease in accrued interest from beginning of period to end of period.	48,136
Amortization of the loss on defeasance of debt is reported in the SOA, but not in the funds.	(142,019)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(62,200,000)
Amortization of bond premiums is reported in the SOA, but not in the funds.	640,031
Payments to escrow for the defeasance of debt are reported in the funds, but not in the SOA.	73,367,861
Bond premiums do not provide revenue in the SOA, but are reported as current resources in the funds.	(11,238,675)
Pension contributions expended in the prior fiscal year.	(1,346,340)
Pension contributions made for the measurement period ended 8/31/15.	1,345,741
Pension contributions made after the measurement date were de-expended and reduced NPL.	1,376,229
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	530,438
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(3,043,563)

Change in net position of governmental activities - Statement of Activities \$ 7,296,914

The accompanying notes are an integral part of this statement.

LONGVIEW INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

ENTERPRISE FUND

AUGUST 31, 2016

Data Control Codes		Nonmajor Enterprise Fund Longview Voice Newspaper	
ASSETS:			
Current Assets:			
Receivables:			
1290	Other Receivables (net)	\$	4,100
	Total Current Assets		4,100
1000	Total Assets		4,100
LIABILITIES:			
Current Liabilities:			
	Cash Overdraft	\$	2,300
2170	Due to Other Funds		1,250
	Total Current Liabilities		3,550
2000	Total Liabilities		3,550
NET POSITION:			
3900	Unrestricted		550
3000	Total Net Position	\$	550

The accompanying notes are an integral part of this statement.

LONGVIEW INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - ENTERPRISE FUND
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		Nonmajor Enterprise Fund	
		Longview Voice Newspaper	
	OPERATING REVENUES:		
5700	Local and Intermediate Sources	\$	17,450
5020	Total Revenues		<u>17,450</u>
	OPERATING EXPENSES:		
6200	Professional and Contracted Services		10,400
6400	Other Operating Costs		<u>6,500</u>
6030	Total Expenses		<u>16,900</u>
1300	Change in Net Position		550
0100	Total Net Position - Beginning		--
3300	Total Net Position - Ending	\$	<u><u>550</u></u>

The accompanying notes are an integral part of this statement.

LONGVIEW INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2016

	Nonmajor Enterprise Fund <u>Longview Voice Newspaper</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 13,350
Cash Payments to Other Suppliers for Goods and Services	(10,400)
Cash Payments for Grants to Other Organizations	(6,500)
Net Cash Provided (Used) by Operating Activities	<u>(3,550)</u>
Cash Flows from Non-capital Financing Activities:	
Transfers From (To) Primary Government	1,250
Net Cash Provided (Used) by Non-capital Financing Activities	<u>1,250</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,300)
Cash and Cash Equivalents at Beginning of Year	--
Cash and Cash Equivalents at End of Year (Overdraft)	<u><u>\$ (2,300)</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 550
Adjustments to Reconcile Operating Income to Net Cash	
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(4,100)
Total Adjustments	<u>(4,100)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (3,550)</u></u>

The accompanying notes are an integral part of this statement.

LONGVIEW INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2016

		Agency Fund
Data Control Codes		Student Activity
ASSETS:		
1110	Cash and Cash Equivalents	\$ 207,015
1000	Total Assets	207,015
LIABILITIES:		
Current Liabilities:		
2190	Due to Student Groups	\$ 207,015
2000	Total Liabilities	207,015
NET POSITION:		
3000	Total Net Position	\$ --

The accompanying notes are an integral part of this statement.

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

A. Summary of Significant Accounting Policies

The basic financial statements of Longview 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.

1. 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 and there are no component units included within the District's reporting entity.

2. 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. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and 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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor 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.

Debt Service Fund: This fund is used to accumulate resources for the repayment of bonded debt.

Capital Projects Fund: This fund is used to account for the proceeds of taxpayer approved bonds for new facilities and for District funds committed for construction.

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In addition, the District reports the following fund types:

Enterprise Fund: This fund accounts for the activity of a District newspaper.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements 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. Nonexchange 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.

Governmental 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 considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. 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.

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

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Allowances for uncollectible tax receivables within the General and Debt Service Funds 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. The allowance for uncollectible taxes at August 31, 2016 is \$421,651.

b. Inventories and Prepaid Items

Inventories of supplies and purchased food on the balance sheet are stated at cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Agriculture. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while purchased food and food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Agriculture and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as transportation and instructional supplies.

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	40-60
Building Improvements	20
Vehicles	5-10
Furniture & Equipment	5-10

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary Statements of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

e. 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.

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

f. 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.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

h. 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 ensure accuracy in building a statewide database for policy development and funding plans.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

The District's policy is to maintain at least two months of working capital in unassigned fund balance.

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j. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

k. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. 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' 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.

At August 31, 2016, the District reported the following:

Deferred Outflow Related to Pensions	\$ 7,137,170
Net Pension Liability	16,065,334
Deferred Inflow Related to Pensions	1,195,653

5. New Accounting Standards Adopted

In fiscal year 2016, the District adopted four new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 72, *Fair Value Measurement and Application*
- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- Statement No. 77, *Tax Abatement Disclosures*

- a. Statement No. 72 requires state and local governments to measure investments at fair value using a consistent definition and valuation techniques; also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes. While the Statement generally requires restatement of prior period balances in the year of implementation, the nature of the District's investments was such that their carrying amount was not affected.
- b. Statement No. 73 extends the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not

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administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to the financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

- c. The GAAP hierarchy prioritizes guidance governments follow when preparing U.S. GAAP financial statements. Statement No. 76 reduces authoritative GAAP hierarchy from four categories to two and lists the order of priority for pronouncements to which a government should look for guidance.
- d. Statement No. 77 requires governments granting tax abatements to individuals and businesses to disclose program information in the notes to the financial statements through the agreement's duration and also requires disclosures about tax abatements entered into by other governments that reduce the reporting government's tax revenue. Prior year balances were not restated because there are no tax abatements associated with the District or any other government which affect the District's tax revenue.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. 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.

1. Cash Deposits:

At August 31, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$40,624,899 and the bank balance was \$41,434,174. The District's cash deposits at August 31, 2016 and during the year ended August 31, 2016, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. 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

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and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

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

The District's investments at August 31, 2016 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool	47 days	\$ 5,165,213
Lone Star Investment Pool	48-55 days	10,426,688
Certificates of Deposit	6-12 months	10,387,122
Total Current Investments		<u>\$ 25,979,023</u>
Certificates of Deposit	02/01/2025	\$ 3,596,287
Total Long-Term Investments		<u>\$ 3,596,287</u>

3. 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 recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At August 31, 2016, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

<u>Investment</u>	<u>Standard & Poor's Rating</u>
TexPool	AAAm
Lone Star Investment Pool	AAA

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.

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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 time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

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

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

Lone Star Investment Pool

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

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TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

D. Capital Assets

Capital asset activity for the year ended August 31, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 11,272,787	\$ 1,334,159	\$ --	\$ 12,606,946
Construction in progress	3,151,465	10,900,784	2,164,654	11,887,595
Total capital assets not being depreciated	<u>14,424,252</u>	<u>12,234,943</u>	<u>2,164,654</u>	<u>24,494,541</u>
Capital assets being depreciated:				
Buildings and improvements	286,215,452	2,633,832	184,874	288,664,410
Furniture & equipment	14,147,070	582,792	7,199	14,722,663
Vehicles	5,348,392	413,066	112,391	5,649,067
Total capital assets being depreciated	<u>305,710,914</u>	<u>3,629,690</u>	<u>304,464</u>	<u>309,036,140</u>
Less accumulated depreciation for:				
Buildings and improvements	(41,629,239)	(6,464,698)	(181,223)	(47,912,714)
Furniture & equipment	(5,175,181)	(1,092,713)	(7,199)	(6,260,695)
Vehicles	(3,839,609)	(337,632)	(112,391)	(4,064,850)
Total accumulated depreciation	<u>(50,644,029)</u>	<u>(7,895,043)</u>	<u>(300,813)</u>	<u>(58,238,259)</u>
Total capital assets being depreciated, net	<u>255,066,885</u>	<u>(4,265,353)</u>	<u>3,651</u>	<u>250,797,881</u>
Governmental activities capital assets, net	<u>\$ 269,491,137</u>	<u>\$ 7,969,590</u>	<u>\$ 2,168,305</u>	<u>\$ 275,292,422</u>

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Depreciation was charged to functions as follows:

Instruction	\$ 3,813,527
Instructional Resources and Media Services	50,048
Curriculum and Staff Development	48,495
Instructional Leadership	153,824
School Leadership	369,526
Guidance, Counseling, & Evaluation Services	197,648
Social Work Services	7,914
Health Services	63,336
Student Transportation	548,128
Food Services	746,440
Extracurricular Activities	254,764
General Administration	221,547
Plant Maintenance and Operations	1,040,190
Security and Monitoring Services	62,773
Data Processing Services	240,383
Community Services	76,500
	<u>\$ 7,895,043</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

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

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 903,859	Short-term loans
General Fund	Business-type Activities	1,250	Short-term loans
Other Governmental Funds	Other Governmental Funds	450	Short-term loans
	Total	<u>\$ 905,559</u>	

All amounts due are scheduled to be repaid within one year.

F. Long-Term Obligations

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2016, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
Bonds Payable	\$ 242,168,834	\$ 62,200,000	\$ 81,326,671	\$ 223,042,163	\$ 5,192,909
Accreted Interest on CABs	2,963,469	13,764	638,964	2,338,269	--
Unamortized bond premium	3,040,150	11,238,676	640,031	13,638,795	--
Unamortized loss on defeasance of debt	--	(7,137,861)	(142,019)	(6,995,842)	--
Total governmental activities	<u>\$ 248,172,453</u>	<u>\$ 66,314,579</u>	<u>\$ 82,463,647</u>	<u>\$ 232,023,385</u>	<u>\$ 5,192,909</u>

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2. Bonds Payable

Bonds payable currently outstanding are as follows:

	Interest Rates	Maturity Date	Amount
Unlimited Tax School Building Bonds, Series 2008	4.00-5.00%	FY 2036	\$ 45,375,000
Unlimited Tax School Building Bonds, Series 2008 - CAB	2.81-4.46%	FY 2018	5,232,163
Unlimited Tax School Building Bonds, Series 2009	2.00-5.00%	FY 2037	55,020,000
Unlimited Tax School Building Bonds, Series 2010	2.00-5.00%	FY 2040	46,290,000
Unlimited Tax Qualified School Construction Bonds, Series 2010	4.657%	FY 2025	8,875,000
Unlimited Tax School Building Bonds, Series 2011 - CAB	4.07-4.28%	FY 2028	180,000
Unlimited Tax Refunding Bonds, Series 2015	2.00-4.00%	FY 2031	8,540,000
Unlimited Tax Refunding Bonds, Series 2016	4.00-5.00%	FY 2031	53,530,000
			<u>\$ 223,042,163</u>

3. Debt Service Requirements

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

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 5,192,909	\$ 9,845,371	\$ 15,038,280
2018	5,144,254	9,752,096	14,896,350
2019	6,655,000	9,567,296	16,222,296
2020	6,710,000	9,274,621	15,984,621
2021	7,030,000	8,947,496	15,977,496
2022-2026	50,065,000	38,716,368	88,781,368
2027-2031	54,455,000	26,478,088	80,933,088
2032-2036	71,705,000	12,130,757	83,835,757
2037-2040	16,085,000	1,083,525	17,168,525
Totals	<u>\$ 223,042,163</u>	<u>\$ 125,795,618</u>	<u>\$ 348,837,781</u>

4. Qualified School Construction Bonds

Certain Series 2010 bonds include an irrevocable election to receive directly from the United States Department of the Treasury a tax credit equal to the amount of interest which would have been payable on the Securities by the issuer if such interest were determined at the credit rate determined under section 54(a)(b)(3) of the Internal Revenue Code (which credit rate applicable to the Bond is 4.657% per annum), which election is based on the Securities' qualification as "Qualified School Construction Bonds" under section 54F of the Code and as "qualified bonds" under subsection 6431(f)(1)(A) of the Code, and the Issuer's irrevocable election to treat the Securities as such at their time of issuance. During the year ended August 31, 2016, the District received \$385,204 from the Department of the Treasury which partially offset the cost of interest expense on this issue.

The term bond in the amount of \$8,875,000 will mature on February 15, 2025. The District is required to make mandatory payments into a sinking fund annually, which will be used to pay off the bonds at maturity. At August 31, 2016, the District was in compliance with the sinking fund requirements.

5. Advance Refunding of Debt

On November 18, 2015, the District issued \$8,670,000 in unlimited tax refunding bonds with an interest rate of 2.00-4.00%. The District issued the bonds to partially advance refund the outstanding series 2008 unlimited tax school building bonds with interest rates ranging from 4.00-5.00%. The District used the net proceeds to purchase U.S. government securities. These securities were deposited into an irrevocable trust to provide for all future debt service on the refunded portion of the 2008 series bonds. As a result, that portion of the 2008 series bonds is considered defeased, and the District has removed the liability from its accounts.

LONGVIEW INDEPENDENT SCHOOL DISTRICT
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The advanced refunding reduced total debt service payments over the next 15 years by \$1,203,178. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,032,497.

The reacquisition price exceeded the net carrying value of the old debt by \$1,102,681. This amount is being netted against the new debt and amortized over the life of the new debt, which is shorter than the life of the old debt.

On May 12, 2016, the District issued \$53,530,000 in unlimited tax refunding bonds with an interest rate of 4.00-5.00%. The District issued the bonds to partially advance refund the outstanding series 2008 unlimited tax school building bonds with interest rates ranging from 4.00-5.00%. The District used the net proceeds to purchase U.S. government securities. These securities were deposited into an irrevocable trust to provide for all future debt service on the refunded portion of the 2008 series bonds. As a result, that portion of the 2008 series bonds is considered defeased, and the District has removed the liability from its accounts.

The advanced refunding reduced total debt service payments over the next 15 years by \$9,336,330. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$8,015,266.

The reacquisition price exceeded the net carrying value of the old debt by \$6,035,180. This amount is being netted against the new debt and amortized over the life of the new debt, which is shorter than the life of the old debt.

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2016, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. 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' defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The TRS 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.

2. Pension Plan Fiduciary Net Position

Detailed information about the TRS' 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 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.

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

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature, as noted in the plan description in (1.) above.

4. 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 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

<u>Contribution Rates</u>		
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2016 Employer Contributions	\$ 1,376,229	
District's 2016 Member Contributions	\$ 3,204,816	
NECE 2015 On-Behalf Contributions to District	\$ 2,354,387	

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, 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 and junior colleges, 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 TRS pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical 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.

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FOR THE YEAR ENDED AUGUST 31, 2016

- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- When employing a retiree of the TRS the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

5. Actuarial Assumptions

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in

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

the System's target asset allocation as of August 31, 2015 are summarized below:

Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Real Rate of Return As of August 31, 2015			
	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflat. Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%
* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.			

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 25,171,350	\$ 16,065,334	\$ 8,480,588

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

At August 31, 2016, the District reported a liability of \$16,065,334 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:

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

District's proportionate share of the collective net pension liability	\$ 16,065,334
State's proportionate share of the net pension liability associated with the District	<u>28,098,134</u>
Total	<u>\$ 44,163,468</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0454482%. which was an increase (decrease) of 0.0138818% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation - The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

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

Mortality Assumptions

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

Other Demographic Assumptions

- h. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- i. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.

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

- j. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- k. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- l. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

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

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

For the year ended August 31, 2015, the District recognized pension expense of \$4,003,532 and revenue of \$4,003,532 for support provided by the State.

At August 31, 2016, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 108,450	\$ 617,405
Changes in actuarial assumptions	455,818	573,141
Difference between projected and actual investment earnings	2,023,702	--
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	3,172,971	5,107
District contributions paid to TRS subsequent to the measurement date	<u>1,376,229</u>	<u>--</u>
Total	<u>\$ 7,137,170</u>	<u>\$ 1,195,653</u>

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

Year Ended August 31	Pension Expense Amount
2017	\$ 793,979
2018	\$ 793,979
2019	\$ 793,978
2020	\$ 1,438,258
2021	\$ 442,358
Thereafter	\$ 302,736

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

I. Retiree Health Care Plans

1. TRS-Care

a. 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 Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at www.trs.state.tx.us under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

b. 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. Funding for free basic coverage is provided by the program based upon public school district payroll. 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. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2016, 2015 and 2014. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015 and 2014. For the years ended August 31, 2016, 2015, and 2014, the State's contributions to TRS-Care were \$222,608, \$221,246, and \$223,399, respectively, the active member contributions were \$289,390, \$287,620, and \$290,352, respectively, and the District's contributions were \$244,867, \$243,371, and \$245,605, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$171,068, \$188,043, and \$125,246, respectively.

J. Employee Health Care Coverage

During the year ended August 31, 2016, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2016, and terms of coverage and premium costs are included in the contractual provisions.

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

K. Commitments and Contingencies

1. 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 collectibility 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.

2. Litigation

No reportable litigation was pending against the District at August 31, 2016.

3. Commitments

On April 14, 2014, the District entered into a contract with an architect for services in connection with the new Montessori campus. The remaining balance on that contract as of August 31, 2016 is \$321,042.

On April 15, 2014, the District entered into a contract with an architect for services in connection with Phase 3 of the High School HVAC project. The remaining balance on that contract as of August 31, 2016 is \$6,647.

On February 8, 2016, the District entered into a contract for the construction of a new Montessori campus. The remaining balance on that contract as of August 31, 2016 is \$23,755,796.

Funding for these contracts is available in the Capital Projects Fund and the General Fund.

L. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides deaf education services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in the Regional Day School for the Deaf Special Revenue Fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Big Sandy ISD	\$ 13,876
Carthage ISD	27,753
Daingerfield ISD	55,505
Elysian Fields ISD	27,753
Gladewater ISD	27,753
Hallsville ISD	69,382
Harleton ISD	27,753
Jefferson ISD	13,876
Kilgore ISD	13,876
Marshall ISD	69,382
Mt. Pleasant ISD	13,876
Mt. Vernon ISD	13,876
New Diana ISD	13,876
Ore City ISD	27,753
Pewitt ISD	13,876
Pine Tree ISD	27,753

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

Pittsburg ISD	41,629
Spring Hill ISD	41,629
Tatum ISD	41,629
West Rusk ISD	13,876
White Oak ISD	55,505
Longview ISD	166,516
Total	<u>\$ 818,703</u>

M. Workers Compensation

The District joined together with other school districts in the East Texas area to form the East Texas Educational Insurance Association, a public entity pool currently operating a workers' compensation risk management and insurance program for various member school districts. During the 2015-16 school year, the District paid a fixed cost in the amount of \$124,827 for administration of claims, loss control, record keeping, and the cost of stop-loss insurance. Total workers' compensation claims paid amounted to \$42,041 for current year claims and \$217,175 for claims incurred in prior years. However, the District may be required to pay, and retains the risk of loss for, workers' compensation claims up to the loss fund maximum. When and if other schools in the Association exceed their loss fund maximum, the District will be required to pay a percentage share of the excess.

A reconciliation of changes in the liability for claims for the current and prior fiscal years is presented below:

	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance
Year Ended August 31, 2016	\$ 835,696	\$ (13,636)	\$ 259,216	\$ 562,844
Year Ended August 31, 2015	649,142	439,820	253,266	835,696

N. Fund Balance

Other restrictions of fund balance consist of \$2,557,498 restricted for construction.

Other committed fund balance consists of \$95,182 committed to campus activity funds.

O. Subsequent Events

Management has evaluated subsequent events through January 4, 2017, the date on which the financial statements were available to be issued.

On October 13, 2016, the District issued \$45,305,000 in Unlimited Tax Refunding Bonds, Series 2016A, which will refund the remaining \$45,375,000 of the 2008 series bonds.

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.

LONGVIEW INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

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Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 43,851,478	\$ 43,990,738	\$ 44,339,710	\$ 348,972
5800	State Program Revenues	20,659,966	21,128,228	24,136,125	3,007,897
5900	Federal Program Revenues	745,606	745,606	1,231,258	485,652
5020	Total Revenues	65,257,050	65,864,572	69,707,093	3,842,521
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	38,510,730	37,962,671	35,291,972	2,670,699
0012	Instructional Resources and Media Services	605,531	799,423	539,666	259,757
0013	Curriculum and Staff Development	268,089	682,655	518,697	163,958
	Total Instruction & Instr. Related Services	39,384,350	39,444,749	36,350,335	3,094,414
Instructional and School Leadership:					
0021	Instructional Leadership	1,946,907	1,813,759	1,658,699	155,060
0023	School Leadership	4,279,933	4,350,260	3,984,622	365,638
	Total Instructional & School Leadership	6,226,840	6,164,019	5,643,321	520,698
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	2,338,266	2,396,695	2,127,067	269,628
0032	Social Work Services	84,415	86,937	85,334	1,603
0033	Health Services	668,707	728,770	682,952	45,818
0034	Student (Pupil) Transportation	3,380,201	3,599,114	2,901,782	697,332
0035	Food Services	247,406	300,507	205,245	95,262
0036	Cocurricular/Extracurricular Activities	2,099,463	2,348,897	2,131,467	217,430
	Total Support Services - Student (Pupil)	8,818,458	9,460,920	8,133,847	1,327,073
Administrative Support Services:					
0041	General Administration	2,686,128	2,685,322	2,388,962	296,360
	Total Administrative Support Services	2,686,128	2,685,322	2,388,962	296,360
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	8,815,859	11,209,552	10,236,843	972,709
0052	Security and Monitoring Services	653,977	655,410	614,335	41,075
0053	Data Processing Services	1,010,756	1,048,939	944,851	104,088
	Total Support Services - Nonstudent Based	10,480,592	12,913,901	11,796,029	1,117,872
Ancillary Services:					
0061	Community Services	712,236	835,187	824,902	10,285
	Total Ancillary Services	712,236	835,187	824,902	10,285
Capital Outlay:					
0081	Capital Outlay	2,000	3,363,987	3,104,139	259,848
	Total Capital Outlay	2,000	3,363,987	3,104,139	259,848
0099	Other Intergovernmental Charges	865,000	869,123	860,124	8,999
	Total Intergovernmental Charges	865,000	869,123	860,124	8,999
6030	Total Expenditures	69,175,604	75,737,208	69,101,659	6,635,549
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(3,918,554)	(9,872,636)	605,434	10,478,070

LONGVIEW INDEPENDENT SCHOOL DISTRICTGENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2016**EXHIBIT G-1**

Page 2 of 2

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
Other Financing Sources (Uses):				
8911 Transfers Out	--	(20,441,984)	(20,441,984)	--
7080 Total Other Financing Sources and (Uses)	--	(20,441,984)	(20,441,984)	--
1200 Net Change in Fund Balance	(3,918,554)	(30,314,620)	(19,836,550)	10,478,070
0100 Fund Balance - Beginning	55,576,560	55,576,560	55,576,560	--
3000 Fund Balance - Ending	\$ 51,658,006	\$ 25,261,940	\$ 35,740,010	\$ 10,478,070

LONGVIEW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.0454482%	0.0315664%	--	--	--	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 16,065,334	\$ 8,431,822	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	28,098,134	24,795,916	--	--	--	--	--	--	--	--
Total	<u>\$ 44,163,468</u>	<u>\$ 33,227,738</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 44,252,552	\$ 44,688,517	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.30%	18.87%	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%	--	--	--	--	--	--	--	--

* Note: GASB Statement No. 68, Paragraph 81.2a requires that the information on this schedule be data from the period corresponding with the period covered as of the TRS measurement date of August 31, 2015 - period from September 1, 2014 - August 31, 2015.

* Note: Only two years of data is presented in accordance with GASB Statement No. 68, paragraph 138. "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."

LONGVIEW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 1,376,229	\$ 1,346,340	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(1,376,229)	(1,346,340)	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 44,521,855	\$ 44,249,237	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	3.09%	3.04%	--	--	--	--	--	--	--	--

* Note: GASB Statement No. 68, paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the TRS measurement date of September 1, 2014 - August 31, 2015.

* Note: Only two years of data is presented in accordance with GASB Statement No. 68, paragraph 138. "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."

LONGVIEW INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED AUGUST 31, 2016

Budget

The official budget was prepared for adoption for the General Fund, Debt Service Fund and National School Lunch/Breakfast Special Revenue Fund. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. 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 after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at 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.

Amendments that increase the overall budget must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

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

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit 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

There were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period. Those changes are discussed in Note H.8 of the Notes to the Financial Statements.

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but which are presented for purposes of additional analysis.

LONGVIEW INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2016

Data Control Codes	204 ESEA Title I Priority and Focus Grant	211 ESEA Title I Improving Basic Programs	212 ESEA Title I Part D Subpart 2	224 IDEA-B Formula
ASSETS:				
1110 Cash and Cash Equivalents	\$ --	\$ --	\$ --	\$ --
1240 Due from Other Governments	447	759,976	3,818	274,967
1260 Due from Other Funds	--	--	--	--
1290 Other Receivables	--	--	--	--
1300 Inventories	--	--	--	--
1410 Unrealized Expenditures	--	--	--	--
1000 Total Assets	<u>\$ 447</u>	<u>\$ 759,976</u>	<u>\$ 3,818</u>	<u>\$ 274,967</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ --	\$ 5,875	\$ --	\$ 2,137
2160 Accrued Wages Payable	--	91,829	--	118,073
2170 Due to Other Funds	447	662,272	3,818	154,757
2200 Accrued Expenditures	--	--	--	--
2300 Unearned Revenue	--	--	--	--
2000 Total Liabilities	<u>447</u>	<u>759,976</u>	<u>3,818</u>	<u>274,967</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410 Inventories	--	--	--	--
3430 Prepaid Items	--	--	--	--
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	--	--
Committed Fund Balances:				
3545 Other Committed Fund Balance	--	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 447</u>	<u>\$ 759,976</u>	<u>\$ 3,818</u>	<u>\$ 274,967</u>

225	226	227	228	240
IDEA-B Preschool Grant	IDEA-B Discretionary	IDEA-B Deaf	IDEA-B Preschool Deaf	National School Breakfast/Lunch Program
\$ --	\$ --	\$ --	\$ --	\$ 1,686,029
4,118	3,649	575	69	164,854
--	--	--	--	450
--	--	--	--	6,945
--	--	--	--	519,409
--	--	--	--	--
<u>\$ 4,118</u>	<u>\$ 3,649</u>	<u>\$ 575</u>	<u>\$ 69</u>	<u>\$ 2,377,687</u>
\$ --	\$ --	\$ --	\$ --	\$ 442,359
1,499	2,666	--	--	53,482
2,619	983	575	69	--
--	--	--	--	8,228
--	--	--	--	421,772
<u>4,118</u>	<u>3,649</u>	<u>575</u>	<u>69</u>	<u>925,841</u>
--	--	--	--	144,809
--	--	--	--	--
--	--	--	--	1,307,037
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,451,846</u>
<u>\$ 4,118</u>	<u>\$ 3,649</u>	<u>\$ 575</u>	<u>\$ 69</u>	<u>\$ 2,377,687</u>

LONGVIEW INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2016

Data Control Codes		244 Career and Tech Basic Grant	253 IDEA-C Deaf	255 ESEA Title II Training & Recruiting	263 English Lang. Acquisition and Enhancement
ASSETS:					
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ --	\$ --
1240	Due from Other Governments	15,256	--	91,867	23,061
1260	Due from Other Funds	--	--	--	--
1290	Other Receivables	--	--	--	--
1300	Inventories	--	--	--	--
1410	Unrealized Expenditures	--	--	--	--
1000	Total Assets	<u>\$ 15,256</u>	<u>\$ --</u>	<u>\$ 91,867</u>	<u>\$ 23,061</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ 23,369	\$ 17
2160	Accrued Wages Payable	7,244	--	35,253	607
2170	Due to Other Funds	8,012	--	33,245	22,437
2200	Accrued Expenditures	--	--	--	--
2300	Unearned Revenue	--	--	--	--
2000	Total Liabilities	<u>15,256</u>	<u>--</u>	<u>91,867</u>	<u>23,061</u>
FUND BALANCES:					
Nonspendable Fund Balances:					
3410	Inventories	--	--	--	--
3430	Prepaid Items	--	--	--	--
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	--
Committed Fund Balances:					
3545	Other Committed Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 15,256</u>	<u>\$ --</u>	<u>\$ 91,867</u>	<u>\$ 23,061</u>

385 Supplemental Visually Impaired	397 Advanced Placement Incentives	410 State Textbook Fund	427 High Quality Pre-K Grant	429 Misc State Revenue
\$ --	\$ 15,669	\$ --	\$ --	\$ 6,650
--	--	75,028	26,737	8,050
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ 15,669</u>	<u>\$ 75,028</u>	<u>\$ 26,737</u>	<u>\$ 14,700</u>
\$ --	\$ --	\$ 58,729	\$ 26,737	\$ --
--	--	--	--	14,700
--	--	14,381	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>1,918</u>	<u>--</u>	<u>--</u>
<u>--</u>	<u>--</u>	<u>75,028</u>	<u>26,737</u>	<u>14,700</u>
--	--	--	--	--
--	--	--	--	--
--	15,669	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>--</u>	<u>15,669</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ --</u>	<u>\$ 15,669</u>	<u>\$ 75,028</u>	<u>\$ 26,737</u>	<u>\$ 14,700</u>

LONGVIEW INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2016

Data Control Codes	435 Regional Day School for the Deaf	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
1110 Cash and Cash Equivalents	\$ 254,893	\$ 95,876	\$ 2,059,117
1240 Due from Other Governments	--	--	1,452,472
1260 Due from Other Funds	--	--	450
1290 Other Receivables	--	--	6,945
1300 Inventories	--	--	519,409
1410 Unrealized Expenditures	360	--	360
1000 Total Assets	<u>\$ 255,253</u>	<u>\$ 95,876</u>	<u>\$ 4,038,753</u>
LIABILITIES:			
Current Liabilities:			
2110 Accounts Payable	\$ 3,096	\$ --	\$ 562,319
2160 Accrued Wages Payable	43,754	--	369,107
2170 Due to Other Funds	--	694	904,309
2200 Accrued Expenditures	--	--	8,228
2300 Unearned Revenue	--	--	423,690
2000 Total Liabilities	<u>46,850</u>	<u>694</u>	<u>2,267,653</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
3410 Inventories	--	--	144,809
3430 Prepaid Items	360	--	360
Restricted Fund Balances:			
3450 Federal/State Funds Grant Restrictions	208,043	--	1,530,749
Committed Fund Balances:			
3545 Other Committed Fund Balance	--	95,182	95,182
3000 Total Fund Balances	<u>208,403</u>	<u>95,182</u>	<u>1,771,100</u>
4000 Total Liabilities and Fund Balances	<u>\$ 255,253</u>	<u>\$ 95,876</u>	<u>\$ 4,038,753</u>

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LONGVIEW INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		204 ESEA Title I Priority and Focus Grant	211 ESEA Title I Improving Basic Programs	212 ESEA Title I Part D Subpart 2	224 IDEA-B Formula
REVENUES:					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800	State Program Revenues	--	--	--	--
5900	Federal Program Revenues	37,553	2,542,188	16,092	1,511,300
5020	Total Revenues	37,553	2,542,188	16,092	1,511,300
EXPENDITURES:					
Current:					
0011	Instruction	10,953	1,854,701	15,377	1,132,795
0012	Instructional Resources and Media Services	--	--	--	--
0013	Curriculum and Staff Development	24,224	361,630	--	--
0021	Instructional Leadership	--	161,958	--	3,921
0023	School Leadership	--	12,487	--	--
0031	Guidance, Counseling, & Evaluation Services	--	--	715	373,792
0034	Student Transportation	2,376	41,482	--	792
0035	Food Service	--	--	--	--
0036	Cocurricular/Extracurricular Activities	--	--	--	--
0041	General Administration	--	--	--	--
0061	Community Services	--	109,930	--	--
6030	Total Expenditures	37,553	2,542,188	16,092	1,511,300
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	--	--
1200	Net Change in Fund Balances	--	--	--	--
0100	Fund Balances - Beginning	--	--	--	--
3000	Fund Balances - Ending	\$ --	\$ --	\$ --	\$ --

225	226	227	228	240
IDEA-B Preschool Grant	IDEA-B Discretionary	IDEA-B Deaf	IDEA-B Preschool Deaf	National School Breakfast/Lunch Program
\$ --	\$ --	\$ --	\$ --	\$ 603,818
--	--	--	--	50,187
<u>24,477</u>	<u>35,384</u>	<u>24,022</u>	<u>2,701</u>	<u>3,801,846</u>
<u>24,477</u>	<u>35,384</u>	<u>24,022</u>	<u>2,701</u>	<u>4,455,851</u>
24,477	35,384	24,022	2,701	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	4,571,901
--	--	--	--	--
--	--	--	--	--
<u>24,477</u>	<u>35,384</u>	<u>24,022</u>	<u>2,701</u>	<u>4,571,901</u>
--	--	--	--	(116,050)
--	--	--	--	(116,050)
--	--	--	--	1,567,896
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,451,846</u>

LONGVIEW INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		244 Career and Tech Basic Grant	253 IDEA-C Deaf	255 ESEA Title II Training & Recruiting	263 English Lang. Acquisition and Enhancement
REVENUES:					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800	State Program Revenues	--	--	--	--
5900	Federal Program Revenues	115,771	1,220	424,179	127,665
5020	Total Revenues	115,771	1,220	424,179	127,665
EXPENDITURES:					
Current:					
0011	Instruction	29,384	1,220	--	76,333
0012	Instructional Resources and Media Services	--	--	--	--
0013	Curriculum and Staff Development	--	--	406,670	41,165
0021	Instructional Leadership	--	--	2,500	4,589
0023	School Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	86,387	--	--	--
0034	Student Transportation	--	--	--	--
0035	Food Service	--	--	--	--
0036	Cocurricular/Extracurricular Activities	--	--	--	--
0041	General Administration	--	--	15,009	--
0061	Community Services	--	--	--	5,578
6030	Total Expenditures	115,771	1,220	424,179	127,665
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	--	--
1200	Net Change in Fund Balances	--	--	--	--
0100	Fund Balances - Beginning	--	--	--	--
3000	Fund Balances - Ending	\$ --	\$ --	\$ --	\$ --

385 Supplemental Visually Impaired	397 Advanced Placement Incentives	410 State Textbook Fund	427 High Quality Pre-K Grant	429 Misc State Revenue
\$ --	\$ --	\$ 295	\$ --	\$ --
5,100	9,000	353,715	26,737	25,608
--	--	--	--	--
<u>5,100</u>	<u>9,000</u>	<u>354,010</u>	<u>26,737</u>	<u>25,608</u>
5,100	--	354,010	23,644	--
--	--	--	--	58
--	1,817	--	3,093	25,550
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>5,100</u>	<u>1,817</u>	<u>354,010</u>	<u>26,737</u>	<u>25,608</u>
--	7,183	--	--	--
--	<u>7,183</u>	--	--	--
--	8,486	--	--	--
\$ --	\$ <u>15,669</u>	\$ --	\$ --	\$ --

LONGVIEW INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	435 Regional Day School for the Deaf	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
REVENUES:			
5700 Local and Intermediate Sources	\$ 464,078	\$ 311,834	\$ 1,380,025
5800 State Program Revenues	432,532	--	902,879
5900 Federal Program Revenues	--	--	8,664,398
5020 Total Revenues	<u>896,610</u>	<u>311,834</u>	<u>10,947,302</u>
EXPENDITURES:			
Current:			
0011 Instruction	678,227	18,389	4,286,717
0012 Instructional Resources and Media Services	--	9,975	10,033
0013 Curriculum and Staff Development	7,384	12,322	883,855
0021 Instructional Leadership	133,092	165	306,225
0023 School Leadership	--	26,598	39,085
0031 Guidance, Counseling, & Evaluation Services	--	--	460,894
0034 Student Transportation	--	--	44,650
0035 Food Service	--	--	4,571,901
0036 Cocurricular/Extracurricular Activities	--	243,354	243,354
0041 General Administration	--	--	15,009
0061 Community Services	--	--	115,508
6030 Total Expenditures	<u>818,703</u>	<u>310,803</u>	<u>10,977,231</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>77,907</u>	<u>1,031</u>	<u>(29,929)</u>
1200 Net Change in Fund Balances	<u>77,907</u>	<u>1,031</u>	<u>(29,929)</u>
0100 Fund Balances - Beginning	130,496	94,151	1,801,029
3000 Fund Balances - Ending	<u>\$ 208,403</u>	<u>\$ 95,182</u>	<u>\$ 1,771,100</u>

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.

LONGVIEW INDEPENDENT SCHOOL DISTRICTSCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2016

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2007 and Prior Years	\$	Various	\$	Various	\$	Various
2008		1.04005		0.2579		3,340,013,774
2009		1.04005		0.3802		3,635,017,793
2010		1.04		0.473		3,820,569,211
2011		1.04		0.473		3,687,427,693
2012		1.04		0.473		3,780,076,033
2013		1.04		0.473		3,851,822,865
2014		1.04		0.473		3,905,796,182
2015		1.04		0.473		4,011,247,432
2016 (School Year Under Audit)		1.04		0.473		4,027,694,118

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/15	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/16
\$ 537,064	\$ --	\$ 6,453	\$ 448	\$ (80,593)	\$ 449,570
115,156	--	1,399	132	(3,694)	109,931
152,078	--	2,685	666	(3,171)	145,556
158,173	--	5,034	1,840	(3,520)	147,779
199,803	--	13,889	6,317	(2,770)	176,827
259,046	--	27,149	12,348	2,941	222,490
687,707	--	274,078	124,653	5,610	294,586
701,379	--	233,391	106,148	6,866	368,706
1,113,041	--	379,059	172,399	3,529	565,112
--	60,939,012	40,834,500	18,571,854	(410,350)	1,122,308
<u>\$ 3,923,447</u>	<u>\$ 60,939,012</u>	<u>\$ 41,777,637</u>	<u>\$ 18,996,805</u>	<u>\$ (485,152)</u>	<u>\$ 3,602,865</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

LONGVIEW INDEPENDENT SCHOOL DISTRICT**EXHIBIT J-2**

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,065,190	\$ 1,065,190	\$ 603,818	\$ (461,372)
5800	State Program Revenues	25,000	53,404	50,187	(3,217)
5900	Federal Program Revenues	3,541,000	3,581,000	3,801,846	220,846
5020	Total Revenues	4,631,190	4,699,594	4,455,851	(243,743)
EXPENDITURES:					
Current:					
	Support Services - Student (Pupil):				
0035	Food Services	4,631,190	4,986,608	4,571,901	414,707
	Total Support Services - Student (Pupil)	4,631,190	4,986,608	4,571,901	414,707
6030	Total Expenditures	4,631,190	4,986,608	4,571,901	414,707
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(287,014)	(116,050)	170,964
1200	Net Change in Fund Balance	--	(287,014)	(116,050)	170,964
0100	Fund Balance - Beginning	1,567,896	1,567,896	1,567,896	--
3000	Fund Balance - Ending	\$ 1,567,896	\$ 1,280,882	\$ 1,451,846	\$ 170,964

LONGVIEW INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 18,550,000	\$ 18,550,000	\$ 19,145,786	\$ 595,786
5800	State Program Revenues	--	--	436,328	436,328
5900	Federal Program Revenues	371,978	371,978	385,204	13,226
5020	Total Revenues	<u>18,921,978</u>	<u>18,921,978</u>	<u>19,967,318</u>	<u>1,045,340</u>
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	5,836,672	15,686,672	15,096,671	590,001
0072	Interest on Long-Term Debt	11,957,475	11,608,775	10,953,942	654,833
0073	Bond Issuance Costs and Fees	10,000	729,633	722,582	7,051
	Total Debt Service	<u>17,804,147</u>	<u>28,025,080</u>	<u>26,773,195</u>	<u>1,251,885</u>
6030	Total Expenditures	<u>17,804,147</u>	<u>28,025,080</u>	<u>26,773,195</u>	<u>1,251,885</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>1,117,831</u>	<u>(9,103,102)</u>	<u>(6,805,877)</u>	<u>2,297,225</u>
Other Financing Sources (Uses):					
7911	Capital-Related Debt Issued (Refunding Bonds)	--	62,200,000	62,200,000	--
7916	Premium on Issuance of Bonds	--	11,674,935	11,238,676	(436,259)
7917	Prepaid Interest	--	212,559	212,558	(1)
8949	Payment to Escrow Agent for Bond Refunding	--	(73,367,861)	(73,367,861)	--
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>719,633</u>	<u>283,373</u>	<u>(436,260)</u>
1200	Net Change in Fund Balance	<u>1,117,831</u>	<u>(8,383,469)</u>	<u>(6,522,504)</u>	<u>1,860,965</u>
0100	Fund Balance - Beginning	12,887,255	12,887,255	12,887,255	--
3000	Fund Balance - Ending	<u>\$ 14,005,086</u>	<u>\$ 4,503,786</u>	<u>\$ 6,364,751</u>	<u>\$ 1,860,965</u>

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KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

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Sherry Davis, CPA
Chanie A. Johnson, CPA

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
Longview Independent School District
1301 E. Young
Longview, Texas 75602

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, the business-type activities, each major fund, and the aggregate remaining fund information of Longview Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Longview Independent School District's basic financial statements, and have issued our report thereon dated January 4, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Longview Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
January 4, 2017

KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Longview Independent School District
1301 E. Young
Longview, Texas 75602

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Longview Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Longview Independent School District's major federal program for the year ended August 31, 2016. Longview Independent School District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Longview Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended August 31, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
January 4, 2017

LONGVIEW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

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

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None.		

LONGVIEW INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2016

None required.

LONGVIEW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT K-1
Page 1 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
CHILD NUTRITION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	00439	\$ 896,174
Food Distribution (Non-cash)	10.555	00439	250,824
National School Lunch Program	10.555	00439	2,815,033
Total CFDA Number 10.555			<u>3,065,857</u>
Total Passed Through State Department of Education			<u>3,962,031</u>
Total U. S. Department of Agriculture			<u>3,962,031</u>
Total Child Nutrition Cluster			<u>3,962,031</u>
SPECIAL EDUCATION (IDEA) CLUSTER:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
IDEA-B Formula	84.027	166600010929036600	1,431,278
IDEA-B Deaf	84.027	166600010929036601	24,022
IDEA-B Discretionary	84.027	166600110929036673	32,719
IDEA-B Formula	84.027	176600010929036600	118,073
IDEA-B Discretionary	84.027	176600110929036673	2,665
Total CFDA Number 84.027			<u>1,608,757</u>
IDEA-B Preschool	84.173	166610010929036610	23,596
IDEA-B Preschool Deaf	84.173	166610010929036611	2,770
IDEA-B Preschool	84.173	176610010929036610	1,499
Total CFDA Number 84.173			<u>27,865</u>
Total Passed Through State Department of Education			<u>1,636,622</u>
Total U. S. Department of Education			<u>1,636,622</u>
Total Special Education (IDEA) Cluster			<u>1,636,622</u>
OTHER PROGRAMS:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010	16610101092903	2,479,207
ESEA Title I Part D Subpart 2 - Delinquent Programs	84.010	16610103092903	16,502
ESEA Title I 1003(A) Priority and Focus School Grant	84.010	16610112092903000	38,000
ESEA Title I Part A - Improving Basic Programs	84.010	17610101092903	126,610
Total CFDA Number 84.010			<u>2,660,319</u>
Career and Technical - Basic Grant	84.048	16420006092903	109,192
Career and Technical - Basic Grant	84.048	17420006092903	7,470
Total CFDA Number 84.048			<u>116,662</u>
IDEA-C Early Intervention (Deaf)	84.181a	163911010929033911	1,220
Title III Part A English Language Acquisition and Enhancement	84.365	16671001092903	129,610
Title III Part A English Language Acquisition and Enhancement	84.365	17671001092903	607
Title III Part A English Language Acquisition and Enhancement	84.365	15671001092903	(752)
Total CFDA Number 84.365			<u>129,465</u>

LONGVIEW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT K-1
Page 2 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367	16694501092903	377,565
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367	17694501092903	57,670
Total CFDA Number 84.367			435,235
Total Passed Through State Department of Education			3,342,900
Total U. S. Department of Education			3,342,900
<u>U. S. Department of Defense</u>			
Direct Program:			
ROTC	12.000	092-903	70,126
Total U. S. Department of Defense			70,126
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Agriculture:			
Child and Adult Care Food Program	10.558	00439	189,050
Total U. S. Department of Agriculture			189,050
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 9,200,729

The accompanying notes are an integral part of this schedule.

LONGVIEW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Longview Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Note B - Reconciliation of Schedule of Expenditures of Federal Awards to Total Federal Revenues

The accompanying schedule of expenditures of federal awards (SEFA) does not include certain amounts that are federal source revenues but are not considered "federal financial assistance" for SEFA reporting purposes. A reconciliation follows:

Total Federal Expenditures, Exhibit K-1	\$	9,200,729
Other Federal Revenue Sources:		
School Health and Related Services (SHARS)		694,928
QSCB Interest Subsidy		<u>385,204</u>
Total Federal Revenues, Exhibit C-2	\$	<u><u>10,280,860</u></u>

Note C - Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At August 31, 2016, the District had food commodities totaling \$374,600 in inventory.

LONGVIEW INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2016

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 2,338,269
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 16,065,334
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ 1,137,495

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