

LAGO VISTA INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

FOR THE YEAR ENDED
AUGUST 31, 2016



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2016

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CERTIFICATE OF BOARD

Lago Vista Independent School District
Name of School District


Travis
County

227-912
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 14th day of November, 2016.



Signature of Board Secretary



Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)



UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY
REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

Independent Auditor's Report

To the Board of Trustees of
Lago Vista Independent School District

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 Lago Vista Independent School District as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 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 Lago Vista Independent School District as of August 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section preceding the basic financial statements and the pension related schedules following the notes to the financial statements 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.

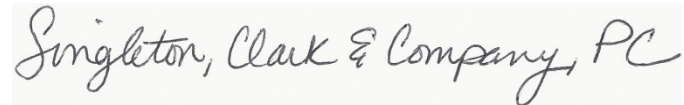
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lago Vista Independent School District's basic financial statements. The combining schedules of individual nonmajor funds and the Texas Education Agency required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules of individual nonmajor funds and the Texas Education Agency required schedules 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 schedules and the Texas Education Agency required schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016 on our consideration of Lago Vista 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 Lago Vista Independent School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC". The signature is written in black ink on a light-colored background.

Singleton, Clark & Company, PC
Cedar Park, Texas

October 28, 2016

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Lago Vista Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2016. Please read it in conjunction with the independent auditor's report on page 2 and the District's Basic Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position for governmental activities increased by \$240,590 as a result of this year's operations, to end at \$7,570,555.
- The General Fund of the District reported a fund balance increase of \$339,370 for the year, to end at \$4,711,051.
- Total Governmental Funds of the District (the General Fund plus all Special Revenue Funds, Capital Project Funds, and the Debt Service Fund) reported an overall fund balance increase of \$495,946 to end at \$5,680,436.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Combining Schedules as Other Supplementary Information section contains even more information about the District's individual nonmajor funds. This information is not required by TEA, but is included for its usefulness. The Other Supplementary Information section also includes TEA Required Schedules and information required by federal monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2016

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins with the government-wide financial statements which immediately follow this section. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. The primary purpose of these financial statements is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by the State of Texas in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

The Statement of Net Position and the Statement of Activities report the District's net position and changes in net position. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, school districts are divided into two kinds of activities:

- Governmental activities – School districts report basic services here, including the instruction of students, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- Business-type activities – School districts may charge a fee to "customers" to help it cover all or most of the cost of services it provides for child care programs or other activities that closely model a business venture.

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2016

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements follow the government-wide statements and provide detailed information about the most significant funds of the District, not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education in order to display separate accountability. The District's administration establishes many other funds to help it control and manage money for particular purposes (such as for campus activities). School districts use two different kinds of funds for operations, governmental and proprietary, which use different accounting approaches.

- A school district will use *governmental funds* to account for basic services. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the district's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- A school district will use *proprietary funds* to account for the activities for which it charges users (whether outside customers or other units of the district). Proprietary funds use the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, when a district utilizes enterprise funds, (one category of proprietary funds) these are the business-type activities reported in the government-wide statements but they contain more detail and additional information, such as cash flows. Internal service funds (the other category of proprietary funds) report activities that provide supplies and services for a district's other programs and activities, such as a district's self-insurance programs.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages that follow the governmental fund and proprietary fund financial statements. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the net position (Table I below) and changes in net position (Table II below) of the District's governmental activities and business-type activities.

Net position of the District's governmental activities increased from \$7,329,965 to \$7,570,555. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$3,586,446, at August 31, 2016. The increase in governmental net position was primarily due to results from 2015-2016 operations. The assessed property valuations increased in comparison to the prior year resulting in more property tax revenue. More information regarding the increase is presented in the paragraph following Table II on the next page.

Table I
LAGO VISTA INDEPENDENT SCHOOL DISTRICT
NET POSITION

	Governmental Activities 2016	Governmental Activities 2015	Change	Business- Type Activities 2016	Business- Type Activities 2015	Change
Current & other assets	\$ 7,063,807	\$ 6,694,586	\$ 369,221	\$ 12,695	\$ 17,143	\$ (4,448)
Capital assets	50,287,962	51,732,255	(1,444,293)	-	-	-
Deferred outflows	1,499,950	320,040	1,179,910	-	-	-
Total assets and deferred outflows	58,851,719	58,746,881	104,838	12,695	17,143	(4,448)
Current liabilities	993,514	1,063,708	(70,194)	6,426	5,200	1,226
Long-term liabilities	49,798,306	49,956,159	(157,853)	-	-	-
Deferred inflows	489,344	397,049	92,295	-	-	-
Total liabilities and deferred inflows	51,281,164	51,416,916	(135,752)	6,426	5,200	1,226
Net Position:						
Net investment in capital assets	3,067,069	3,074,056	(6,987)	-	-	-
Restricted	917,040	807,084	109,956	-	-	-
Unrestricted	3,586,446	3,448,825	137,621	6,269	11,943	(5,674)
Total net position	\$ 7,570,555	\$ 7,329,965	\$ 240,590	\$ 6,269	\$ 11,943	\$ (5,674)

**LAGO VISTA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2016**

**Table II
LAGO VISTA INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION**

	Governmental Activities 2016	Governmental Activities 2015	Change	Business- Type Activities 2016	Business- Type Activities 2015	Change
Revenues:						
Program Revenues:						
Charges for services	\$ 568,850	\$ 590,249	\$ (21,399)	\$ 110,790	\$ 127,412	\$ (16,622)
Operating grants & contributions	1,511,494	1,333,744	177,750	-	-	-
General Revenues:						
Maintenance & operations taxes	13,483,098	12,972,264	510,834	-	-	-
Debt service taxes	3,338,968	3,494,639	(155,671)	-	-	-
State aid - formula grants	1,886,538	1,939,568	(53,030)	-	-	-
Grants & contributions not restr.	1,857	1,947	(90)	-	-	-
Investment earnings	46,590	15,742	30,848	-	-	-
Miscellaneous	90,284	46,752	43,532	-	-	-
Total Revenue	20,927,679	20,394,905	532,774	110,790	127,412	(16,622)
Expenses:						
Instruction	8,378,387	7,681,977	696,410	-	-	-
Instr. resources & media services	170,722	167,160	3,562	-	-	-
Curriculum and staff development	32,042	25,307	6,735	-	-	-
Instructional leadership	301,039	301,873	(834)	-	-	-
School leadership	928,535	820,648	107,887	-	-	-
Guidance/counseling services	435,816	383,534	52,282	-	-	-
Health services	81,477	72,239	9,238	-	-	-
Student transportation	463,780	433,807	29,973	-	-	-
Food services	567,011	565,092	1,919	-	-	-
Cocurricular/extracurricular act.	982,835	824,036	158,799	-	-	-
General administration	706,568	609,972	96,596	-	-	-
Plant maintenance and operations	1,686,600	1,538,006	148,594	-	-	-
Security and monitoring services	9,512	3,752	5,760	-	-	-
Data processing services	282,301	265,591	16,710	-	-	-
Community services	12,660	2,186	10,474	-	-	-
Debt service	1,729,673	2,034,645	(304,972)	-	-	-
Contracted instructional resources	3,820,273	4,094,247	(273,974)	-	-	-
Other intergovernmental charges	97,858	98,033	(175)	-	-	-
Business-type activities	-	-	-	116,464	125,363	(8,899)
Total Expenses	20,687,089	19,922,105	764,984	116,464	125,363	(8,899)
Change in net position	240,590	472,800	(232,210)	(5,674)	2,049	(7,723)
Net position at 9/1/15 and 9/1/14	7,329,965	8,327,758	(997,793)	11,943	9,894	2,049
Prior period adjustment	-	(1,470,593)	1,470,593	-	-	-
Net position at 8/31/16 and 8/31/15	\$ 7,570,555	\$ 7,329,965	\$ 240,590	\$ 6,269	\$ 11,943	\$ (5,674)

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2016

THE DISTRICT'S FUNDS

As the District completed this annual period, the General Fund reported a fund balance of \$4,711,051, which is \$339,370 more than last year's total of \$4,371,681. The increase in fund balance is mainly attributable to the financing of some current year expenditures with capital leases.

The District's Debt Service fund reported a fund balance of \$714,691 which is \$140,629 more than last year's total of \$574,062. The Debt Service fund balance was more at August 31, 2016, as compared to the prior year end, due to revenues being budgeted more than expenditures for the current year. The purpose of the Debt Service Fund is to provide for the payment of bond principal and interest payments as they become due.

The District's other governmental funds reported a fund balance of \$254,694 as compared to \$238,747 in 2015, which is \$15,947 more than the previous year. The primary difference between fiscal 2015 and fiscal 2016 governmental funds was that the campus activity fund fund balance increased significantly due to revenues exceeding expenditures in this fund during the current year.

Over the course of the year, the Board of Trustees revised the District's budget several times. These amendments involved moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of August 31, 2016, the District had \$50,287,962 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. A summary of the ending balances of capital assets by major category for both 2016 and 2015 is as follows:

	Governmental Activities 2016	Governmental Activities 2015	Change
Land	\$ 1,126,507	\$ 1,126,507	\$ -
Buildings	62,221,275	62,169,320	51,955
Furniture and Equipment	1,493,764	1,409,027	84,737
Total	<u>64,841,546</u>	<u>64,704,854</u>	<u>136,692</u>
Less Accumulated Depreciation	<u>(14,553,584)</u>	<u>(12,972,599)</u>	<u>(1,580,985)</u>
Capital assets, net of depreciation	<u>\$ 50,287,962</u>	<u>\$ 51,732,255</u>	<u>\$ (1,444,293)</u>

**LAGO VISTA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2016**

Debt

At year-end, the District had \$49,798,306 in bonds and other long-term debt outstanding versus \$49,956,159 last year. The District realized an overall decrease in long-term debt obligations due to regularly schedule bond payments being made during the fiscal year. A summary of the ending balances of long-term debt by type for both 2016 and 2015 is as follows:

	Governmental Activities 2016	Governmental Activities 2015	Change
General Obligation Bonds	\$ 46,798,732	\$ 48,366,021	\$ (1,567,289)
Capital Leases Payable	422,161	292,178	129,983
Net Pension Liability	2,577,413	1,297,960	1,279,453
Total	<u>\$ 49,798,306</u>	<u>\$ 49,956,159</u>	<u>\$ (157,853)</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2016-2017 budget and tax rates. Those factors include property values, changes in enrollment, the economy, projections of future budget years, and legislative mandates. A steadily increasing enrollment population, coupled with an increase in property values, has led to a General Fund budget of \$16.6 million for the 2016-2017 fiscal year. The budget increased from 2015-2016 to 2016-2017 by approximately \$1.1 million.

For the 2016-2017 budget year, the District has held constant its maintenance and operations tax rate at \$1.06 per hundred of taxable value. The District has the capability to call a tax ratification election which could authorize up to \$1.17 cents for maintenance and operations. The District has no current plans to call a tax ratification election. The District adopted a debt service tax rate of \$.26 for the 2016-2017 budget year in order to fund required debt payments in the coming year. The combined tax rate of the District for the 2016-2017 budget year is \$1.32 per hundred of taxable value.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, at Lago Vista Independent School District, 8039 Bar-K Ranch Road, Lago Vista, Texas 78645, or by calling (512) 267-8300.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016

Data Control Codes	Primary Government			
	1 Governmental Activities	2 Business-Type Activities	3 Total	
ASSETS				
1110	Cash and Cash Equivalents	\$ 344,947	\$ 12,695	\$ 357,642
1120	Current Investments	6,136,443	-	6,136,443
1225	Property Taxes Receivable (net)	445,634	-	445,634
1240	Due from Other Governments	127,638	-	127,638
1290	Other Receivables, net	9,145	-	9,145
	Capital Assets:			
1510	Land	1,126,507	-	1,126,507
1520	Buildings and Improvements, Net	48,902,503	-	48,902,503
1530	Furniture and Equipment, Net	258,952	-	258,952
1000	Total Assets	<u>57,351,769</u>	<u>12,695</u>	<u>57,364,464</u>
DEFERRED OUTFLOWS OF RESOURCES				
1705	Deferred Outflows-Pension	1,499,950	-	1,499,950
	Total Deferred Outflows of Resources	<u>1,499,950</u>	<u>-</u>	<u>1,499,950</u>
LIABILITIES				
2110	Accounts Payable	107,670	284	107,954
2140	Interest Payable	55,777	-	55,777
2160	Accrued Wages Payable	448,426	6,030	454,456
2177	Due to Fiduciary Funds	100	-	100
2180	Due to Other Governments	368,133	-	368,133
2200	Accrued Expenses	10,304	112	10,416
2300	Unearned Revenue	3,104	-	3,104
	Noncurrent Liabilities:			
2501	Bonds, Loans & Other Payable-Due Within One Year	2,116,193	-	2,116,193
2502	Bonds Payable - Due in More than One Year	43,071,537	-	43,071,537
2516	Unamortized Premium (Discount) on Bonds	1,799,911	-	1,799,911
2520	Loans Payable - Due in More than One Year	233,252	-	233,252
2540	Net Pension Liability	2,577,413	-	2,577,413
2000	Total Liabilities	<u>50,791,820</u>	<u>6,426</u>	<u>50,798,246</u>
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred Inflows-Pension	489,344	-	489,344
	Total Deferred Inflows of Resources	<u>489,344</u>	<u>-</u>	<u>489,344</u>
NET POSITION				
3200	Net Investment in Capital Assets	3,067,069	-	3,067,069
	Restricted for:			
3820	Federal & State Programs	117,634	-	117,634
3850	Debt Service	788,478	-	788,478
3860	Capital Projects	10,928	-	10,928
3900	Unrestricted	3,586,446	6,269	3,592,715
3000	Total Net Position	<u>\$ 7,570,555</u>	<u>\$ 6,269</u>	<u>\$ 7,576,824</u>

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

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	1 Expenses	Program Revenues		Net (Expense) Rev. & Changes in Net Position
		3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 8,378,387	\$ 28,500	\$ 965,383	\$ (7,384,504)
12 Instructional Resources & Media Services	170,722	-	10,802	(159,920)
13 Curriculum & Staff Development	32,042	-	-	(32,042)
21 Instructional Leadership	301,039	-	19,387	(281,652)
23 School Leadership	928,535	-	62,611	(865,924)
31 Guidance/Counseling/Evaluation Services	435,816	-	25,381	(410,435)
33 Health Services	81,477	-	5,467	(76,010)
34 Student Transportation	463,780	-	-	(463,780)
35 Food Services	567,011	286,590	-	(280,421)
36 Extracurricular Activities	982,835	239,907	276,946	(465,982)
41 General Administration	706,568	13,853	31,572	(661,143)
51 Plant Maintenance and Operations	1,686,600	-	16,801	(1,669,799)
52 Security and Monitoring Services	9,512	-	-	(9,512)
53 Data Processing Services	282,301	-	17,978	(264,323)
61 Community Services	12,660	-	8,517	(4,143)
72 Interest on Long-Term Debt	1,726,674	-	70,649	(1,656,025)
73 Bond Issuance Cost & Fees	2,999	-	-	(2,999)
91 Contracted Instructional Resources	3,820,273	-	-	(3,820,273)
99 Other Intergovernmental Charges	97,858	-	-	(97,858)
TG Total Governmental Activities:	<u>20,687,089</u>	<u>568,850</u>	<u>1,511,494</u>	<u>(18,606,745)</u>
BUSINESS-TYPE ACTIVITIES:				
01 Enterprise Fund - Little Vikings Daycare	116,464	110,790	-	-
TB Total Business-Type Activities:	<u>116,464</u>	<u>110,790</u>	<u>-</u>	<u>-</u>
TP TOTAL PRIMARY GOVERNMENT:	<u>\$ 20,803,553</u>	<u>\$ 679,640</u>	<u>\$ 1,511,494</u>	<u>(18,606,745)</u>
General Revenues:				
Taxes:				
MT Property Taxes, Levied for General Purposes				13,483,098
DT Property Taxes, Levied for Debt Service				3,338,968
SF State Aid - Formula Grants				1,886,538
GC Grants and Contributions, not Restricted				1,857
IE Investment Earnings				46,590
MI Miscellaneous Local and Intermediate Revenue				90,284
Total General Revenues				<u>18,847,335</u>
CN Change in Net Position				240,590
NB Net Position -- Beginning				7,329,965
NE Net Position -- Ending				<u>\$ 7,570,555</u>

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

	7	8
Business-Type Activities		Total
\$ -		\$ (7,384,504)
-		(159,920)
-		(32,042)
-		(281,652)
-		(865,924)
-		(410,435)
-		(76,010)
-		(463,780)
-		(280,421)
-		(465,982)
-		(661,143)
-		(1,669,799)
-		(9,512)
-		(264,323)
-		(4,143)
-		(1,656,025)
-		(2,999)
-		(3,820,273)
-		(97,858)
-		<u>(18,606,745)</u>
(5,674)		(5,674)
<u>(5,674)</u>		<u>(5,674)</u>
<u>(5,674)</u>		<u>(18,612,419)</u>
-		13,483,098
-		3,338,968
-		1,886,538
-		1,857
-		46,590
-		90,284
-		<u>18,847,335</u>
(5,674)		234,916
11,943		7,341,908
<u>\$ 6,269</u>		<u>\$ 7,576,824</u>

FUND BASIS FINANCIAL STATEMENTS

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data	10	50	98	Total
Control	General	Debt	Other	Governmental
Codes	Fund	Service Fund	Funds	Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 164,950	\$ -	\$ 179,997	\$ 344,947
1120 Investments - Current	5,318,325	713,681	104,437	6,136,443
1220 Property Taxes - Delinquent	1,062,420	210,821	-	1,273,241
1230 Allowance for Uncollectible Taxes (Credit)	(690,573)	(137,034)	-	(827,607)
1240 Due from Other Governments	49,781	-	77,857	127,638
1260 Due from Other Funds	73,431	-	-	73,431
1290 Other Receivables	8,135	1,010	-	9,145
1000 Total Assets	<u>\$ 5,986,469</u>	<u>\$ 788,478</u>	<u>\$ 362,291</u>	<u>\$ 7,137,238</u>
LIABILITIES				
2110 Accounts Payable	\$ 99,450	\$ -	\$ 8,220	\$ 107,670
2160 Accrued Wages Payable	426,862	-	21,564	448,426
2170 Due to Other Funds	859	-	72,572	73,431
2177 Due to Fiduciary Funds	100	-	-	100
2180 Due to Other Governments	368,107	-	26	368,133
2200 Accrued Expenditures	8,193	-	2,111	10,304
2300 Unearned Revenues	-	-	3,104	3,104
2000 Total Liabilities	<u>903,571</u>	<u>-</u>	<u>107,597</u>	<u>1,011,168</u>
DEFERRED INFLOWS OF RESOURCES				
2600 Deferred Inflows - Pension	371,847	73,787	-	445,634
Total Deferred Inflows of Resources	<u>371,847</u>	<u>73,787</u>	<u>-</u>	<u>445,634</u>
FUND BALANCES				
Restricted for:				
3450 Federal or State Funds Restricted	-	-	117,634	117,634
3470 Capital Acq. and Contractual Oblig.	-	-	10,928	10,928
3480 Retirement of Long-Term Debt	-	714,691	-	714,691
Committed for:				
3545 Campus Activities	-	-	126,132	126,132
3600 Unassigned Fund Balance	4,711,051	-	-	4,711,051
3000 Total Fund Balances	<u>4,711,051</u>	<u>714,691</u>	<u>254,694</u>	<u>5,680,436</u>
4000 Total Liab., Def. Inflows, and Fund Balances	<u>\$ 5,986,469</u>	<u>\$ 788,478</u>	<u>\$ 362,291</u>	<u>\$ 7,137,238</u>

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

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

		1
Total Fund Balances - Governmental Funds	\$	5,680,436
<p>¹ Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	\$	64,841,546
Less accumulated depreciation	<u>(14,553,584)</u>	50,287,962
<p>² Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Bonds payable	(46,798,732)	
Capital leases payable	(422,161)	
Net pension liability	<u>(2,577,413)</u>	(49,798,306)
<p>³ Accrued interest on long-term debt related to governmental fund activities is not due and payable in the current period and, therefore, not reported in the governmental funds.</p>		
		(55,777)
<p>⁴ Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions	1,499,950	
Deferred inflows of resources related to pensions	<u>(489,344)</u>	1,010,606
<p>⁵ Property taxes are recognized as revenue in the governmental funds when collected, but recognized on the Statement of Activities in the year levied. Therefore, property taxes receivable, net of allowance for uncollectible accounts, is added to the Statement of Net Position for governmental activities.</p>		
		445,634
¹⁹ Net Position of Governmental Activities	<u>\$</u>	<u>7,570,555</u>

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

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data	10	50	98	
Control	General	Debt	Other	Total
Codes	Fund	Service Fund	Funds	Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 13,643,025	\$ 3,357,485	\$ 584,843	\$ 17,585,353
5800 State Program Revenues	2,401,816	70,649	127,702	2,600,167
5900 Federal Program Revenues	22,099	-	636,445	658,544
5020 Total Revenues	<u>16,066,940</u>	<u>3,428,134</u>	<u>1,348,990</u>	<u>20,844,064</u>
EXPENDITURES:				
0011 Instruction	6,976,583	-	518,686	7,495,269
0012 Instructional Resources & Media Services	152,211	-	-	152,211
0013 Curriculum & Instructional Staff Development	29,333	-	-	29,333
0021 Instructional Leadership	266,202	-	-	266,202
0023 School Leadership	823,128	-	-	823,128
0031 Guidance, Counseling & Evaluation Services	386,610	-	-	386,610
0033 Health Services	72,579	-	-	72,579
0034 Student (Pupil) Transportation	424,575	-	-	424,575
0035 Food Services	-	-	519,079	519,079
0036 Cocurricular/Extracurricular Activities	621,967	-	261,024	882,991
0041 General Administration	631,586	-	-	631,586
0051 Plant Maintenance and Operations	1,579,283	-	1,473	1,580,756
0052 Security and Monitoring Services	8,708	-	-	8,708
0053 Data Processing Services	252,770	-	-	252,770
0061 Community Services	8,655	-	-	8,655
0071 Debt Service - Principal	180,565	1,985,000	-	2,165,565
0072 Debt Service - Interest	10,489	1,299,506	-	1,309,995
0073 Debt Service - Bond Issuance Costs	-	2,999	-	2,999
0081 Facilities Acquisition and Construction	25,958	-	32,781	58,739
0091 Contracted Instructional Services - Chapter 41	3,497,330	-	-	3,497,330
0099 Other Intergovernmental Charges	89,586	-	-	89,586
6030 Total Expenditures	<u>16,038,118</u>	<u>3,287,505</u>	<u>1,333,043</u>	<u>20,658,666</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>28,822</u>	<u>140,629</u>	<u>15,947</u>	<u>185,398</u>
OTHER FINANCING SOURCES (USES):				
7913 Capital Leases	310,548	-	-	310,548
7080 Total Other Financing Sources (Uses)	<u>310,548</u>	<u>-</u>	<u>-</u>	<u>310,548</u>
1200 Net Change in Fund Balance	339,370	140,629	15,947	495,946
0100 Fund Balance - Beginning	4,371,681	574,062	238,747	5,184,490
3000 Fund Balance - Ending	<u>\$ 4,711,051</u>	<u>\$ 714,691</u>	<u>\$ 254,694</u>	<u>\$ 5,680,436</u>

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

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2016

	Total Net Change in Fund Balances – Governmental Funds	\$	495,946
1	Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.		
	Expenditures for capitalized assets	\$	136,692
	Less current year depreciation	<u>(1,580,985)</u>	<u>(1,444,293)</u>
2	Repayment of principal on bonds, notes, and capital leases is an expenditure in the governmental funds, but this expenditure is removed from the Statement of Activities and the repayments instead reduce long-term liabilities on the Statement of Net Position.		2,165,565
3	Issuance of long-term debt increases current financial resources to governmental funds, but this increase is not shown on the Statement of Activities and instead increases long-term liabilities on the Statement of Net Position.		(310,548)
4	Accumulated accretion on bonds issued by governmental activities is recognized only when paid in the governmental funds, but is treated as interest expense on the Statement of Activities as it accretes.		(569,930)
5	Since long-term debt is not recorded in governmental funds, amortization of related issuance premiums and discounts is also not recorded.		152,219
6	The change in accrued interest due on long-term debt issued for governmental activities does not affect current financial resources and therefore is not reported in the governmental funds.		1,032
7	Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. Therefore the uncollected amount of the current year levy is added to current year property tax revenue on the Statement of Activities.		(57,563)
8	Governmental funds report pension contributions as expenditures. However, pension contributions are reported as deferred outflows of resources on the Statement of Net Position if made after the net pension liability measurement date. In addition, the change in the net pension liability, adjusted for changes in deferred pension items, is reported as pension expense in the Statement of Activities.		(191,838)
	19 Change in Net Position of Governmental Activities	<u>\$</u>	<u>240,590</u>

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

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts (GAAP BASIS)	
REVENUES:				
5700 Local & Intermediate Sources	\$ 12,955,600	\$ 13,542,894	\$ 13,643,025	\$ 100,131
5800 State Program Revenues	2,586,792	2,435,815	2,401,816	(33,999)
5900 Federal Program Revenues	-	22,099	22,099	-
5020 Total Revenues	15,542,392	16,000,808	16,066,940	66,132
EXPENDITURES:				
0011 Instruction	6,396,575	6,985,984	6,976,583	9,401
0012 Instructional Resources & Media Services	155,172	159,892	152,211	7,681
0013 Curriculum and Staff Development	24,000	42,329	29,333	12,996
0021 Instructional Leadership	227,741	276,095	266,202	9,893
0023 School Leadership	802,366	830,428	823,128	7,300
0031 Guidance/Counseling/Evaluation Services	343,750	394,564	386,610	7,954
0033 Health Services	65,894	76,310	72,579	3,731
0034 Student Transportation	415,500	415,500	424,575	(9,075)
0036 Extracurricular Activities	610,672	622,140	621,967	173
0041 General Administration	609,194	631,800	631,586	214
0051 Facilities Maintenance & Operations	1,374,660	1,583,649	1,579,283	4,366
0052 Security and Monitoring Services	5,750	12,250	8,708	3,542
0053 Data Processing Services	254,665	258,469	252,770	5,699
0061 Community Services	6,788	9,442	8,655	787
Debt Service:				
0071 Principal on Long Term Debt	130,000	181,052	180,565	487
0072 Interest on Long Term Debt	25,000	11,000	10,489	511
Capital Outlay:				
0081 Facilities Acquisition & Construction	25,000	60,050	25,958	34,092
Intergovernmental:				
0091 Contracted Instruction Services Between Schools	3,977,665	3,563,999	3,497,330	66,669
0099 Other Intergovernmental Charges	92,000	92,000	89,586	2,414
6030 Total Expenditures	15,542,392	16,206,953	16,038,118	168,835
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(206,145)	28,822	234,967
OTHER FINANCING SOURCES (USES):				
7913 Capital Leases	-	310,548	310,548	-
7080 Total Other Financing Sources (Uses)	-	310,548	310,548	-
1200 Net Change in Fund Balances	-	104,403	339,370	234,967
0100 Fund Balance-September 1 (Beginning)	4,371,681	4,371,681	4,371,681	-
3000 Fund Balance-August 31 (Ending)	\$ 4,371,681	\$ 4,476,084	\$ 4,711,051	\$ 234,967

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

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2016

Data Control Codes	Business-Type Activities
	Little Vikings
	Day care
ASSETS	
1110 Cash and Cash Equivalents	\$ 12,695
1000 Total Assets	<u>12,695</u>
LIABILITIES	
2110 Accounts Payable	284
2160 Accrued Wages Payable	6,030
2200 Accrued Expenditures	112
2000 Total Liabilities	<u>6,426</u>
NET POSITION	
3900 Unrestricted Net Position	6,269
3000 Total Net Position	<u><u>\$ 6,269</u></u>

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

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data	Business-Type
Control	Activities
Codes	Little Vikings Day care
OPERATING REVENUES:	
5700 Local and Intermediate Sources	\$ 110,790
5020 Total Revenues	<u>110,790</u>
OPERATING EXPENSES:	
6100 Payroll Costs	113,342
6300 Supplies and Materials	387
6400 Other Operating Costs	2,735
6030 Total Expenses	<u>116,464</u>
1300 Change in Net Position	(5,674)
0100 Total Net Position - Beginning	<u>11,943</u>
3300 Total Net Position - Ending	<u><u>\$ 6,269</u></u>

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

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Business-Type Activities
	Little Vikings
	Day care
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 110,790
Cash Payments to Employees for Services	(112,280)
Cash Payments to Suppliers	(209)
Cash Payments for Other Operating Activities	(2,749)
Net Cash provided by (Used for) Operating Activities	(4,448)
Net Increase (Decrease) in Cash and Cash Equivalents	(4,448)
Cash and Cash Equivalents at Beginning of the Year	17,143
Cash and Cash Equivalents at the End of the Year:	\$ 12,695
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided by (Used for) Operating Activities:</u>	
Operating Income (Loss):	\$ (5,674)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	178
Increase (decrease) in Wages Payable	1,062
Increase (decrease) in Accrued Expenses	(14)
Net Cash Provided by (Used for) Operating Activities	\$ (4,448)

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

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2016

Data Control Codes	Agency Funds
ASSETS	
1110 Cash and Cash Equivalents	\$ 38,605
1260 Due from Other Funds	100
1000 Total Assets	<u>38,705</u>
LIABILITIES	
Current Liabilities:	
2110 Accounts Payable	4,655
2190 Due to Student Groups	34,050
2000 Total Liabilities	<u>\$ 38,705</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lago Vista Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Lago Vista Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

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

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 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, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

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

The proprietary fund types and fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

The District reports the following major proprietary funds:

Little Vikings Daycare Fund - The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund.

Additionally, the District reports the following fund types:

Governmental Funds:

Special Revenue Funds - The District accounts for resources restricted, committed, or assigned for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Capital Projects Fund - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Fiduciary Funds:

Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds. Student activity funds are accounted for using an agency fund.

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

E. OTHER ACCOUNTING POLICIES

1. Cash Equivalents

For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

2. Inventories

The District does not report inventories of supplies for consumable maintenance, instructional, office, athletic, or transportation items due to the unused amount of these items being on hand at any given time being deemed immaterial.

3. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, unless the straight-line method is not materially different, in which case the straight-line method is used. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expense in the year of issuance of the debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. Vacation and Sick Leave

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the district. Vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements if determined to be material at year end. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

5. Capital Assets

Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20
Vehicles	5-10
Office Equipment	5
Computer Equipment	5

6. 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 governing board. Committed amounts cannot be used for any other purpose unless the governing board 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 governing board. 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.

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

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 governing board or by an official or body to which the governing board 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.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

7. Pensions

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

8. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and 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. Employees of the District were covered during the year by a workers' compensation insurance plan, which is described within Section III of the Notes to the Financial Statements. There were no significant reductions in coverage in the past fiscal year, and no settlements exceeding insurance coverage for each of the past three fiscal years.

9. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a state-wide data base for policy development and funding plans.

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Child Nutrition Fund and the Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears as Exhibit C-3 and the other two reports are Exhibits J-4 and J-5, respectively.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to the end of each 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.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to the first day of the fiscal year, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. (However, none of these were significant.)
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

Fund Balance - Special Revenue Funds	
Appropriated Budget Funds - Child Nutrition	\$ 117,634
Non-Appropriated Budget Funds - Campus Activity Funds	126,132
All Special Revenue Funds	\$ 243,766

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District reported expenditures in excess of appropriations in Function 34 of the General Fund in the amount of \$9,075.

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

C. DEFICIT FUND EQUITY

The District had no funds with deficit fund equity at year end.

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

The funds of the District must be deposited and invested under terms of a contract, contents of which are set out in Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agency bank 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.

At August 31, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$396,247 and the bank balance was \$474,279. The District's combined deposits were fully insured at all times by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

The following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Security State Bank & Trust, Texas.
- b. The fair market value of collateral pledged to the District, as of the date of the highest combined balance on deposit was \$3,251,771.
- c. The largest combined balances of cash, savings, and time deposit accounts amounted to \$2,054,113. These balances occurred during the month of July 2016.
- d. The total amount of FDIC coverage at the time of the largest combined balance was \$250,000.
- e. The amount of unsecured deposits was \$-0-.

Custodial Credit Risk for Deposits

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk for Deposits

The District does not invest in securities relating to foreign currencies and therefore has no foreign currency risk.

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

District Policies and Legal and Contractual Provisions Governing Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Lago Vista Independent School District is in substantial compliance with the requirements of the Act and with local policies.

As of August 31, 2016, Lago Vista Independent School District had the following investments.

Investment Name	Investment Type	Maturity in Years				Recording Fund
		Less than 1	1-5	6-10	More Than 10	
Security State Bank	Certificate of Deposit	\$1,000,371	\$ -	\$ -	\$ -	199
TexPool	Investment Pools	5,042,913	-	-	-	199, 240, 429
Lone Star	Investment Pools	93,159	-	-	-	199, 599
	Total Investments	<u>\$6,136,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

Additional policies and contractual provisions governing investments for Lago Vista Independent School District are specified below:

Credit Risk

To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in the U.S. Government or the State of Texas or its agencies and instrumentalities, commercial paper, corporate bonds, and mutual bond funds to only ones with quality ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2016, the district's investments in TexPool were rated AAAM by Standard & Poor's and the district's investments in Lone Star were rated AAAM by Standard & Poor's.

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

Custodial Credit Risk for Investments

To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk

To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. However, investments in local government investment pools are excluded from this 5% requirement due to the low-risk nature of the underlying investments within government investment pools.

Interest Rate Risk

To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires that at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments

The District does not invest in securities relating to foreign currencies and therefore has no foreign currency risk relating to investments.

B. 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 located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent and subject to interest if not paid before February 1st of the year following the year in which imposed. On June 30th 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 school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on 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.

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

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2016, consisted of the following amounts:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
General Fund	\$ 859	\$ 859
Special Revenue Funds	48,061	-
Capital Projects Fund	24,511	-
Trust & Agency Funds	-	100
Total General Fund	<u>73,431</u>	<u>959</u>
Special Revenue Funds:		
General Fund	-	48,061
Total Special Revenue Funds	<u>-</u>	<u>48,061</u>
Capital Projects Fund		
General Fund	-	24,511
Total Capital Projects Fund	<u>-</u>	<u>24,511</u>
Trust & Agency Funds		
General Fund	100	-
Total Trust & Agency Funds	<u>100</u>	<u>-</u>
Grand Total	<u>\$ 73,531</u>	<u>\$ 73,531</u>

The District did not make any interfund transfers for the year ended August 31, 2016.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2016, were as follows:

	<u>Property Taxes (net)</u>	<u>Other Governments</u>	<u>Other Receivables</u>	<u>Total Receivables</u>
Governmental Activities:				
General Fund	\$ 371,847	\$ 49,781	\$ 8,135	\$ 429,763
Debt Service Fund	-	-	1,010	1,010
Other Governmental Funds	73,787	77,857	-	151,644
Total - Governmental Activities	<u>\$ 445,634</u>	<u>\$ 127,638</u>	<u>\$ 9,145</u>	<u>\$ 582,417</u>

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Payables at August 31, 2016, were as follows:

	Accounts Payable	Salaries/ Benefits	Due to Other Govs.	Accrued Expenditures	Total Payables
Governmental Activities:					
General Fund	\$ 99,450	\$ 426,862	\$ 368,107	\$ 8,193	\$ 902,612
Other Governmental Funds	8,220	21,564	26	2,111	31,921
Total - Governmental Activities	<u>\$ 107,670</u>	<u>\$ 448,426</u>	<u>\$ 368,133</u>	<u>\$ 10,304</u>	<u>\$ 934,533</u>

F. CAPITAL ASSET ACTIVITY

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

	Beginning Balance 9/1/15	Additions	Retirements	Ending Balance 8/31/16
Governmental Activities:				
Land	\$ 1,126,507	\$ -	\$ -	\$ 1,126,507
Buildings and Improvements	62,169,320	51,955	-	62,221,275
Furniture and Equipment	1,409,027	84,737	-	1,493,764
Totals at Historical Cost	<u>64,704,854</u>	<u>136,692</u>	<u>-</u>	<u>64,841,546</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(11,897,266)	(1,421,506)	-	(13,318,772)
Furniture and Equipment	(1,075,333)	(159,479)	-	(1,234,812)
Total Accumulated Depreciation	<u>(12,972,599)</u>	<u>(1,580,985)</u>	<u>-</u>	<u>(14,553,584)</u>
Governmental Activities Capital Assets, Net	<u>\$51,732,255</u>	<u>\$(1,444,293)</u>	<u>\$ -</u>	<u>\$50,287,962</u>

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

Depreciation expense was charged to governmental functions as follows:

	Function	Depreciation Allocation
11	Instruction	\$ 692,111
12	Instructional Resources & Media	14,055
13	Curriculum & Staff Development	2,709
21	Instructional Leadership	24,581
23	School Leadership	76,008
31	Guidance/Counseling/Evaluation Services	35,700
33	Health Services	6,702
34	Student Transportation	39,205
35	Food Services	47,932
36	Cocurricular/Extracurricular Activities	81,535
41	General Administration	58,321
51	Plant Maintenance and Operations	145,967
52	Security and Monitoring Services	804
53	Data Processing Services	23,341
61	Community Services	799
91	Contracted Instructional Services Between Schools	322,943
99	Other Intergovernmental Charges	8,272
	Totals	\$ 1,580,985

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

G. BONDS, NOTES, AND CAPITAL LEASES PAYABLE

Bonded indebtedness of the District is reflected in the government-wide financial statements. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended August 31, 2016 is as follows:

Description	Interest Rate	Original Issue	Current Year Interest	Outstanding 9/1/15	Additions	Deletions	Current Accretion	Outstanding 8/31/16	Due in One Year	
Bonds Payable - Principal										
Unlimited Tax Ref. Bonds, Series 1997 - CABs	3.9-5.7%	\$ 5,064,000	\$ -	\$ 7,041,077	\$ -	\$ (1,075,000)	\$ 404,114	\$ 6,370,191	\$ 1,017,238	
Unlimited Tax Ref Bonds, Series 1999 - CABs	5.15-5.9%	1,047,582	-	2,362,713	-	-	140,871	2,503,584	-	
Unlimited Tax Ref Bonds, Series 2006 - CIB's	4.2-4.55%	1,945,000	2,269	55,000	-	(55,000)	-	-	-	
Unlimited Tax School Building Bonds, Series 2011	2.0-4.0%	9,550,000	344,450	9,245,000	-	(160,000)	-	9,085,000	160,000	
Unlimited Tax School Building Bonds, Series 2012	2.0-5.0%	19,420,000	636,088	18,515,000	-	(425,000)	-	18,090,000	440,000	
Unlimited Tax Refunding Bonds, Series 2014-CIB	2.0-4.0%	1,980,000	69,200	1,980,000	-	(25,000)	-	1,955,000	-	
Unlimited Tax Refunding Bonds, Series 2014-CAB	0.6-1.05%	25,000	-	35,101	-	-	24,945	60,046	60,046	
Unlimited Tax Refunding Bonds, Series 2015	2.0-4.0%	7,300,000	247,500	7,180,000	-	(245,000)	-	6,935,000	250,000	
Total Bonds Payable			1,299,507	46,413,891	-	(1,985,000)	569,930	44,998,821	1,927,284	
Bonds Payable Premiums										
Premium on 2006 CIB's		32,796		8,336	-	(8,336)	-	-	-	
Premium on 2011 CIB's		445,999		392,479	-	(17,840)	-	374,639	-	
Premium on 2012 CIB's		570,172		501,751	-	(22,807)	-	478,944	-	
Premium on 2014 CIB's		125,676		119,963	-	(5,713)	-	114,250	-	
Premium on 2014 CAB's		87,206		48,137	-	(24,068)	-	24,069	-	
Premium on 2015 CIB's		954,919		881,464	-	(73,455)	-	808,009	-	
Total Premiums				1,952,130	-	(152,219)	-	1,799,911	-	
Total Bonds Payable with Premiums				48,366,021	-	(2,137,219)	569,930	46,798,732	1,927,284	
Capital Leases Payable										
PNC Equipment Finance - Bus Lease	3.59%	966,298	10,489	292,178	-	(143,513)	-	148,665	148,665	
Apple, Incorporated	1.90%	310,548	-	-	310,548	(37,052)	-	273,496	40,244	
Total Capital Leases Payable			10,489	292,178	310,548	(180,565)	-	422,161	188,909	
Other Long-Term Debt										
Net Pension Liability				1,297,960	1,279,453	-	-	2,577,413		
Total Other Long-Term Debt				1,297,960	1,279,453	-	-	2,577,413		
Grand Total Long-Term Debt				\$ 1,309,996	\$ 49,956,159	\$ 1,590,001	\$ (2,317,784)	\$ 569,930	\$ 49,798,306	\$ 2,116,193

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2016.

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

H. DEBT SERVICE REQUIREMENTS – BONDS, NOTES, AND CAPITAL LEASES PAYABLE

Debt service requirements for bonds are as follows:

Year Ended August 31,	General Obligations			Total Requirements
	Principal	Accumulated Accretion	Interest	
2017	\$ 1,088,471	\$ 838,813	\$ 1,275,888	\$ 3,203,172
2018	1,166,604	755,039	1,258,888	3,180,531
2019	1,166,017	718,511	1,239,688	3,124,216
2020	1,220,493	638,073	1,216,202	3,074,768
2021	1,230,830	605,814	1,190,412	3,027,056
2022-2026	8,950,601	1,260,970	5,397,528	15,609,099
2027-2031	8,155,000	1,638,585	3,862,790	13,656,375
2032-2036	12,825,000	-	2,053,292	14,878,292
2037	2,740,000	-	103,132	2,843,132
Totals	\$ 38,543,016	\$ 6,455,805	\$ 17,597,820	\$ 62,596,641

Debt service requirements for notes payable and capital leases are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2017	\$ 188,910	\$ 8,764	\$ 197,674
2018	76,292	4,432	80,724
2019	77,741	2,982	80,723
2020	79,218	1,505	80,723
	\$ 422,161	\$ 17,683	\$ 439,844

I. DEFINED BENEFIT PENSION PLAN

Plan Description

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

All employees of public, state-supported education systems 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.

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
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 FOR THE YEAR ENDED AUGUST 31, 2016

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 163,887,375,172
Less: Plan Fiduciary Net Position	<u>(128,538,706,212)</u>
Net Pension Liability	<u>\$ 35,348,668,960</u>
 Net Position as a Percentage of Total Pension Liability	 78.43%

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 the date of employment, or if the member was grandfathered under a previous rule. There are no automatic post-employment benefit changes; including automatic cost-of-living-adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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.

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, 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 contributions 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 (State)	6.8%	6.8%
Employers	6.8%	6.8%
 <u>District Contribution Information</u>		
Employer Contribution	\$ 215,598	\$ 222,433
Member Contributions	488,888	546,286
State On-Behalf Contributions	447,358	490,960

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

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

- On the portion of the member’s salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.
- When any part or all of an employee’s salary is paid by federal funding sources, “or a privately sponsored source.”

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

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

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

Actuarial Assumptions

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-Term Expected Investment Rate of Return	8.00%
Inflation	2.5%
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 based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted September 24, 2015.

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the systems target asset allocation as of August 31, 2015 are summarized as follows:

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

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

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric returns.

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate 8.0%	1% Increase in Discount Rate (9.0%)
District's Proportionate Share of the Net Pension Liability:	\$ 4,038,320	\$ 2,577,413	\$ 1,360,568

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

At August 31, 2016, Lago Vista Independent School District reported a liability of \$2,577,413 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Lago Vista Independent School District. The amount recognized by Lago Vista Independent School 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 Lago Vista Independent School District were as follows:

LAGO VISTA 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	\$	2,577,413
State's Proportionate Share that is Associated with the District		4,436,562
Total	\$	7,013,975

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

At August 31, 2015 the employer's proportion of the collective net pension liability was .0072914% which was an increase of .0024322% percentage points from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation

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

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.5%
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale
4. The payroll growth assumption was lowered from 3.5% to 2.5%

Mortality Assumptions

5. 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.
6. 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.
7. 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

8. 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.

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

9. 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.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. 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.
12. 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

13. 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 measurement period August 31, 2015, Lago Vista Independent School District recognized pension expense of \$191,838 and revenue of \$632,138 for support provided by the State in the government-wide Statement of Activities.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 16,694	\$ 99,052
Changes in Actuarial Assumptions	70,167	91,951
Difference Between Projected and Actual Investment Earnings	634,759	297,532
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	555,897	809
Contributions Paid to TRS Subsequent to the Measurement Date	222,433	-
Total	\$ 1,499,950	\$ 489,344

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

Year Ended 8/31:	Pension Expense Amount
2017	\$ 138,763
2018	138,763
2019	138,763
2020	237,941
2021	78,210
Thereafter	55,733

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

J. EMPLOYEE HEALTH CARE COVERAGE

For the year ended August 31, 2016, employees of the District were covered by a state-wide plan, TRS Active Care. The District paid premiums of \$359 per month per employee to the Plan with the State providing an additional \$75. Employees, at their option may authorize payroll withholdings to pay premiums for dependent coverage. The Teacher Retirement System of Texas (TRS) manages TRS Active Care. The Plan is administered by Blue Cross and Blue Shield of Texas while Medco Health was assigned the prescription drug plan.

K. RETIREE HEALTH CARE PLANS

1. TRS-Care

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-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 website 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.

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 and active public school employee contribution rates were 1.0% and 0.65% of the public school payroll, respectively, with school districts contributing a percentage of payrolls set at 0.55% for fiscal years 2016 and 2015.

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.

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

A summary of the subsidy payments received by TRS-Care on behalf of the District for the last two fiscal years is as follows:

Fiscal Year	Medicare Part-D State On-Behalf Payments
2016	\$ 22,461
2015	23,161

L. UNEARNED REVENUE

Unearned revenue at August 31, 2016 consisted of the following amounts:

Fund	State Grants	Total
Non-Major Governmental Funds	\$ 3,104	\$ 3,104
Total	\$ 3,104	\$ 3,104

M. DUE FROM STATE AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2016, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

Fund	State Entitlements	Federal Grants	Total
General Fund	\$ 49,781	\$ -	\$ 49,781
Non-Major Governmental Funds	-	77,857	77,857
Total	\$ 49,781	\$ 77,857	\$ 127,638

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

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

Type	General Fund	Debt Service Fund	Non-Major		Total
			Governmental Funds	Proprietary Funds	
Property Taxes	\$ 13,533,546	\$ 3,346,083	\$ -	\$ -	\$ 16,879,629
Tuition and Fees	1,075	-	-	110,790	111,865
Investment Income	35,168	11,402	20	-	46,590
Rent	13,853	-	-	-	13,853
Gifts	1,974	-	87,235	-	89,209
Food Sales	-	-	286,590	-	286,590
Athletics	28,909	-	-	-	28,909
Enterprising Revenues	-	-	210,998	-	210,998
Miscellaneous Local Revenue	28,500	-	-	-	28,500
Total	\$ 13,643,025	\$ 3,357,485	\$ 584,843	\$ 110,790	\$ 17,696,143

O. LITIGATION

As of year end, there was either no litigation pending against or no litigation meeting the requirements of disclosure.

P. SUBSEQUENT EVENTS

There were no subsequent events that occurred after year end meeting the requirements for disclosure.

Q. COMMITMENTS AND CONTINGENCIES

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

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

R. WORKERS' COMPENSATION POOL

Lago Vista ISD participates in the Public Workers' Compensation Program (PWCP). PWCP maintains compliance with GASB No.10 through an independent audit of the Program's financials which include an independent actuarial estimate of the reserves as of 8/31/2016. Reserves maintained on the PWCP financial represent the unpaid claim liability and include a provision for the subsequent development of known claims and for claims incurred but not reported (IBNR).

The reinsurance contract is on PWCP as a whole and not Lago Vista ISD. The reinsurance (stop loss insurance) for Lago Vista ISD as a member of the PWCP from September 1, 2015 thru August 31, 2016 is as follows:

Carrier	Safety National Casualty Corporation
Specific Retention:	\$450,000 ISD Employees (Statutory)
Specific Retention:	\$500,000 County Employees (Statutory)
Aggregate Attachment:	\$3,128,630 (Estimate)
Aggregate Maximum Limit:	\$2,000,000

REQUIRED SUPPLEMENTARY INFORMATION

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2016

	<u>2015</u>	<u>2016</u>
District's Proportion of the Net Pension Liability	0.0048592%	0.0072914%
District's Proportionate Share of the Net Pension Liability	\$ 1,297,960	\$ 2,577,413
State's Proportionate Share of the District Net Pension Liability	<u>3,922,098</u>	<u>4,436,562</u>
Total	<u>\$ 5,220,058</u>	<u>\$ 7,013,975</u>
District's Covered-Employee Payroll	\$ 7,296,833	\$ 7,584,320
District's Proportionate Share of the Net Pension Liability as a percentage of its covered-employee payroll	17.8%	34.0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.20%	78.43%

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS –
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2016

	<u>2015</u>	<u>2016</u>
Contractually Required Contribution	\$ 215,598	\$ 222,433
Contribution in Relation to the Contractually Required Contribution	<u>(215,598)</u>	<u>(222,433)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 7,296,833	\$ 7,584,320
Contributions as a Percentage of Covered-Employee Payroll	3.0%	2.9%

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

Changes of benefit terms.

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

Changes of assumptions.

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

Economic Assumptions

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

Mortality Assumptions

5. 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.
6. 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.
7. 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

8. 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.
9. 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.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. 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.
12. 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

13. 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.

COMBINING SCHEDULES

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data	211	224	225	240	255
Control				National Breakfast and Lunch Program	
Codes	ESEA, Title I, Part A	IDEA-Part B, Formula	IDEA-Part B, Preschool		ESEA, Title II, Part A
ASSETS					
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 10,689	\$ -
1120 Investments - Current	-	-	-	104,411	-
1220 Property Taxes - Delinquent	-	-	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-	-	-
1240 Due from Other Governments	32,659	33,340	591	6,121	4,504
1290 Other Receivables	-	-	-	-	-
1000 Total Assets	<u>\$ 32,659</u>	<u>\$ 33,340</u>	<u>\$ 591</u>	<u>\$ 121,221</u>	<u>\$ 4,504</u>
LIABILITIES					
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ 3,587	\$ -
2160 Accrued Wages Payable	9,911	11,653	-	-	-
2170 Due to Other Funds	21,778	20,546	591	-	4,504
2180 Due to Other Governments	-	-	-	-	-
2200 Accrued Expenditures	970	1,141	-	-	-
2300 Unearned Revenues	-	-	-	-	-
2000 Total Liabilities	<u>32,659</u>	<u>33,340</u>	<u>591</u>	<u>3,587</u>	<u>4,504</u>
FUND BALANCES					
Restricted for:					
3450 Federal or State Funds Restricted	-	-	-	117,634	-
3470 Capital Acq. and Contractual Oblig.	-	-	-	-	-
Committed for:					
3545 Campus Activities	-	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,634</u>	<u>-</u>
4000 Total Liab., Def. Inflows, and Fund Balances	<u>\$ 32,659</u>	<u>\$ 33,340</u>	<u>\$ 591</u>	<u>\$ 121,221</u>	<u>\$ 4,504</u>

263	397	410	429	461	698	
Title III, Part A	Advanced Placement Incentives	State Textbook Fund	State Funded Special Revenue Funds	Campus Activity Funds	Capital Project Fund	Total Non- Major Governmental Funds
\$ -	\$ 527	\$ 2,577	\$ -	\$ 130,765	\$ 35,439	\$ 179,997
-	-	-	26	-	-	104,437
-	-	-	-	-	-	-
-	-	-	-	-	-	-
642	-	-	-	-	-	77,857
-	-	-	-	-	-	-
<u>\$ 642</u>	<u>\$ 527</u>	<u>\$ 2,577</u>	<u>\$ 26</u>	<u>\$ 130,765</u>	<u>\$ 35,439</u>	<u>\$ 362,291</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,633	\$ -	\$ 8,220
-	-	-	-	-	-	21,564
642	-	-	-	-	24,511	72,572
-	-	-	26	-	-	26
-	-	-	-	-	-	2,111
-	527	2,577	-	-	-	3,104
<u>642</u>	<u>527</u>	<u>2,577</u>	<u>26</u>	<u>4,633</u>	<u>24,511</u>	<u>107,597</u>
-	-	-	-	-	-	117,634
-	-	-	-	-	10,928	10,928
-	-	-	-	-	-	-
-	-	-	-	126,132	-	126,132
-	-	-	-	126,132	10,928	254,694
<u>\$ 642</u>	<u>\$ 527</u>	<u>\$ 2,577</u>	<u>\$ 26</u>	<u>\$ 130,765</u>	<u>\$ 35,439</u>	<u>\$ 362,291</u>

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data	211	224	225	240	255
Control				National Breakfast and	
Codes	ESEA, Title I, Part A	IDEA-Part B, Formula	IDEA-Part B, Preschool	Lunch Program	ESEA, Title II, Part A
REVENUES:					
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 286,590	\$ -
5800 State Program Revenues	-	-	-	2,474	-
5900 Federal Program Revenues	161,998	210,121	3,066	243,020	17,598
5020 Total Revenues	161,998	210,121	3,066	532,084	17,598
EXPENDITURES:					
0011 Instruction	161,998	210,121	3,066	-	17,598
0035 Food Services	-	-	-	519,079	-
0036 Cocurricular/Extracurricular Activities	-	-	-	-	-
0051 Plant Maintenance and Operations	-	-	-	-	-
0071 Debt Service - Principal	-	-	-	-	-
0072 Debt Service - Interest	-	-	-	-	-
0073 Debt Service - Bond Issuance Costs	-	-	-	-	-
0081 Facilities Acquisition and Construction	-	-	-	-	-
6030 Total Expenditures	161,998	210,121	3,066	519,079	17,598
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	13,005	-
1200 Net Change in Fund Balance	-	-	-	13,005	-
0100 Fund Balance - Beginning	-	-	-	104,629	-
3000 Fund Balance - Ending	\$ -	\$ -	\$ -	\$ 117,634	\$ -

	263	397	410	429	461	698	
Title III, Part A	Advanced Placement Incentives	State Textbook Fund	State Funded Special Revenue Funds	Campus Activity Funds	Capital Project Fund	Total Non- Major Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ 298,233	\$ 20	\$ 584,843	
-	2,173	123,055	-	-	-	127,702	
642	-	-	-	-	-	636,445	
642	2,173	123,055	-	298,233	20	1,348,990	
642	2,206	123,055	-	-	-	518,686	
-	-	-	-	-	-	519,079	
-	-	-	-	258,727	2,297	261,024	
-	-	-	-	-	1,473	1,473	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	32,781	32,781	
642	2,206	123,055	-	258,727	36,551	1,333,043	
-	(33)	-	-	39,506	(36,531)	15,947	
-	(33)	-	-	39,506	(36,531)	15,947	
-	33	-	-	86,626	47,459	238,747	
\$ -	\$ -	\$ -	\$ -	\$ 126,132	\$ 10,928	\$ 254,694	

TEA REQUIRED SCHEDULES

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FOR THE YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31,	1		2		3	
	Tax Rates				Assessed/Appraised Value for School Tax Purposes	
	Maintenance		Debt Service			
2007	Various		Various		Various	
2008	1.04000		0.16000		\$	1,101,818,504
2009	1.04000		0.14000			1,250,662,765
2010	1.04000		0.14000			1,360,537,756
2011	1.04000		0.14000			1,300,591,473
2012	1.04000		0.14000			1,278,937,568
2013	1.04000		0.28000			1,227,950,499
2014	1.04000		0.28000			1,187,750,164
2015	1.04000		0.28000			1,244,550,642
2016	(School year under audit)		1.06000			1,277,778,852
TOTALS						

10	20	31	32	40	50
Beginning Balance 9/1/15	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/16
\$ 463,442	\$ -	\$ 18,467	\$ 2,841	\$ (57,504)	\$ 384,630
46,262	-	5,376	827	(3,977)	36,082
56,436	-	9,447	1,272	(4,004)	41,713
64,963	-	10,384	1,398	(2,714)	50,467
93,445	-	16,547	2,228	(3,709)	70,961
101,980	-	20,827	2,804	(4,316)	74,033
119,934	-	20,382	5,488	(9,840)	84,224
164,010	-	35,263	9,494	(6,091)	113,162
327,235	-	132,886	35,777	(837)	157,735
-	16,866,681	13,092,897	3,211,465	(302,085)	260,234
<u>\$ 1,437,707</u>	<u>\$ 16,866,681</u>	<u>\$ 13,362,476</u>	<u>\$ 3,273,594</u>	<u>\$ (395,077)</u>	<u>\$ 1,273,241</u>

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget	
	Original	Final	Amounts (GAAP BASIS)		
REVENUES:					
5700	Local & Intermediate Sources	\$ 284,060	\$ 284,060	\$ 286,590	\$ 2,530
5800	State Program Revenues	2,950	2,950	2,474	(476)
5900	Federal Program Revenues	252,473	252,473	243,020	(9,453)
5020	Total Revenues	539,483	539,483	532,084	(7,399)
EXPENDITURES:					
0035	Food Services	539,483	539,483	519,079	20,404
6030	Total Expenditures	539,483	539,483	519,079	20,404
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	13,005	13,005
1200	Net Change in Fund Balances	-	-	13,005	13,005
0100	Fund Balance-September 1 (Beginning)	104,629	104,629	104,629	-
3000	Fund Balance-August 31 (Ending)	\$ 104,629	\$ 104,629	\$ 117,634	\$ 13,005

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget	
	Original	Final	Amounts (GAAP BASIS)		
REVENUES:					
5700	Local & Intermediate Sources	\$ 3,463,000	\$ 3,330,736	\$ 3,357,485	\$ 26,749
5800	State Program Revenues	-	70,649	70,649	-
5020	Total Revenues	3,463,000	3,401,385	3,428,134	26,749
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	1,151,703	1,985,000	1,985,000	-
0072	Interest on Long Term Debt	2,132,803	1,299,506	1,299,506	-
0073	Bond Issuance Cost and Fees	9,000	9,000	2,999	6,001
6030	Total Expenditures	3,293,506	3,293,506	3,287,505	6,001
1200	Net Change in Fund Balances	169,494	107,879	140,629	32,750
0100	Fund Balance-September 1 (Beginning)	574,062	574,062	574,062	-
3000	Fund Balance-August 31 (Ending)	\$ 743,556	\$ 681,941	\$ 714,691	\$ 32,750

FEDERAL AWARDS SECTION



INDEPENDENT AUDITOR'S 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

To the Board of Trustees of
Lago Vista Independent School District

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 Lago Vista Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Lago Vista Independent School District's basic financial statements, and have issued our report thereon dated October 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lago Vista 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 Lago Vista Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lago Vista 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 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 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.

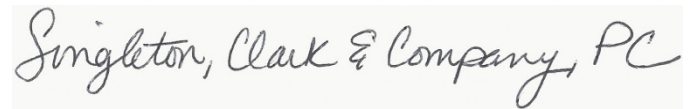
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is written in a cursive style and is set against a light gray rectangular background.

Singleton, Clark & Company, PC
Cedar Park, Texas

October 28, 2016

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Under the guidelines of the federal Uniform Guidance, a Single Audit was not required due to expenditures of federal awards being below \$750,000.

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the years ended August 31, 2016 and August 31, 2015.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Findings Related to Federal Awards Which are Required to be Reported in Accordance with Uniform Guidance:

Not applicable.

LAGO VISTA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		1 Responses
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 on the financial statements as a whole?	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 government agencies as applicable?	Yes
SF8	Did the school district not 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	Total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end.	\$ 6,455,805
SF11	Net Pension Assets (1920) at fiscal year-end	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end	\$ 2,577,413
SF13	Pension Expense (6147) at fiscal year-end	\$ 191,838