

**LA FERIA  
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL  
AND  
COMPLIANCE REPORT

AUGUST 31, 2017

**La Feria Independent School District  
Board of Trustees  
August 31, 2017**

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**La Feria Independent School District**  
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**August 31, 2017**

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# **INTRODUCTORY SECTION**

**CERTIFICATE OF BOARD**

La Feria Independent School District  
Name of School District

Cameron  
County

031-905  
Co.-Dist. Number

We the undersigned, do hereby certify that the attached annual financial reports of the above named school district were reviewed and  approved \_\_\_ disapproved for the year ended August 31, 2017 at a meeting of the board of school trustees of such school district on the 22 day of January, 2018.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

# **FINANCIAL SECTION**



Carr, Riggs & Ingram, LLC  
402 East Tyler Avenue  
Harlingen, TX 78550-9122

(956) 423-3765  
(956) 428-7520 (fax)  
CRIcpa.com

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
La Feria Independent School District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the La Feria Independent School District as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the La Feria Independent School District as of August 31, 2017, and the respective changes in financial position 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, budgetary comparison information, and net pension liability and pension contribution information on pages 11-19 and 59-63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the La Feria Independent School District's basic financial statements. The introductory section, and Texas Education Agency Required Schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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The Texas Education Agency Required Schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Education Agency Required Schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2018, on our consideration of the La Feria 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 the La Feria Independent School District's internal control over financial reporting and compliance.

*Cary Riggs & Ingram, L.L.C.*

Harlingen, Texas  
January 22, 2018

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# La Feria Independent School District Management's Discussion and Analysis

As management of the La Feria Independent School District, we offer this narrative overview of the District's financial performance during the fiscal year ended August 31, 2017. We encourage readers to consider the information presented here in conjunction with the independent auditors' report, and the District's Basic Financial Statements which follow this section.

## FINANCIAL HIGHLIGHTS

The District's assets and deferred outflows exceed its liabilities and deferred inflows at the close of this fiscal year by \$17,195,253 (net position) which is a decrease from the prior year of \$1,447,477.

The decrease in net position is primarily the result of the decrease in state aid – formula grants as well as grants and contributions not restricted.

The District's General Fund reported a fund balance this year of \$5,219,379 which is a decrease of \$448,467.

The District's Debt Service fund reported a fund balance this year of \$169,013 which is an increase of \$163,492.

The District received a "B-Above Standard" rating for the Financial Integrity System of Texas (FIRST) for 2016-2017. The FIRST rating evaluates quality of performance in the management of the school district's financial resources. The ratings for each year are based on the prior school year's data. For the 2015-2016 school year the District received an A-Superior rating. For 2014-2015 the District received a "Pass" rating which was the highest rating available for the year.

The District's current and delinquent property tax collections were 98.7% of the levy for the 2017 tax year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of this Annual Financial Report consists of four parts: (1) *management's discussion and analysis* (this section), (2) the *basic financial statements*, (3) *required supplemental information*, and (4) *other supplementary information*, which is the section that presents additional information required by the Texas Education Agency.

The Management's Discussion and Analysis section is intended to serve as an introduction to the District's Basic Financial Statements. The District's Basic Financial Statements comprise three components: (1) Government-Wide Financial Statements (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements.

The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status. The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.

## La Feria Independent School District Management's Discussion and Analysis

- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*. The District currently does not utilize any proprietary funds.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

### **Government-wide Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused sick leave.)

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (governmental activities). All of the District's services are reported in the government-wide financial statements, including instructional leadership, student support services, general administration, support services, and debt services.

### **Fund Financial Statements**

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related requirements. The fund financial statements provide more detailed information about the District's most significant *funds* – *not* the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes to show that it is properly using taxes and grants.

The District has the following kinds of funds:

*Governmental funds:* Government funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year.

## La Feria Independent School District Management's Discussion and Analysis

Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The District maintains 16 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the debt service fund which are considered to be major funds. Data from the other governmental funds are combined in a single, aggregated presentation. The District adopts an annual appropriated budget for its General Fund, Child Nutrition Program (included in the general fund) and Debt Service Fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets.

*Proprietary funds:* Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The District currently does not utilize any proprietary fund types.

*Fiduciary funds:* The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

### **Notes to Financial Statements**

The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) that further explains and supports the information in the financial statements. The Required Supplementary Information includes a comparison of the original adopted budget, the final amended budget, and the actual results for the fiscal year ended for the general fund. Also included in RSI is the Schedule of the District's Proportional Share of the Net Pension Liability of the Teacher Retirement System of Texas and the Schedule of District Contributions to the Teacher Retirement System of Texas.

### **Texas Education Agency Required Schedules**

This section contains information for the purpose for additional analysis and is not a required part of the basic financial statements. This section includes certain compliance schedules required by the Texas Education Agency.



# La Feria Independent School District Management's Discussion and Analysis

## Government-Wide Financial Analysis

Presented in Tables I and II below are summarized Statement of Net Position and Statement of Changes in Net Position for both current and prior-year data. Our analysis focuses on the current year and the comparison of prior-year amounts on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

### Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the year ended August 31, 2017, the District's assets and deferred outflows exceeded its liabilities by \$17,195,253.

**Table I  
Net Position Summary**

	Governmental Activities	
	2017	2016
Current and other assets	\$ 8,518,516	\$ 8,619,114
Capital assets	<u>43,100,288</u>	<u>44,982,576</u>
Total assets	<u>51,618,804</u>	<u>53,601,690</u>
 Deferred outflows of resources	 <u>4,041,256</u>	 <u>3,838,131</u>
 Other liabilities	 2,251,971	 2,070,496
Long-term liabilities	<u>35,802,401</u>	<u>36,218,872</u>
Total liabilities	<u>38,054,372</u>	<u>38,289,368</u>
 Deferred inflows of revenues	 <u>410,435</u>	 <u>507,723</u>
 Net investment in capital assets	 15,434,588	 15,995,846
Restricted	380,215	390,914
Unrestricted	<u>1,380,450</u>	<u>2,255,970</u>
Total net position	<u>\$17,195,253</u>	<u>\$18,642,730</u>

As depicted in Table I, a significant portion of the District's net position, 90%, reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Also, approximately 2% of the net position of the District represents resources that are subject to external restriction on how they may be used. The remaining 8% of net position are unrestricted and may be used to meet the District's ongoing obligations.

### Change in Net Position

The Net Position of the District decreased by \$1,447,477 for the year ended August 31, 2017. The total revenues from taxpayers, user service, grants and other sources for the District was \$39,803,863, a decrease from fiscal year 2016 of \$3,111,026. Total expenses for the 2017 fiscal year were \$41,251,340 or \$961,719 less than the expenses for fiscal year 2016.

## La Feria Independent School District Management's Discussion and Analysis

**Table II**  
**Changes in Net Position**

	Governmental Activities	
<b>Revenues</b>	2017	2016
Program Revenues:		
Charges for services	\$ 528,608	\$ 699,581
Operating grants and contributions	7,169,601	7,763,505
General Revenues:		
Property taxes	5,001,022	4,622,844
State and other grants	26,880,948	29,618,334
Investment earnings	52,605	19,709
Miscellaneous local intermediate	<u>171,079</u>	<u>190,916</u>
Total Revenues	<u>39,803,863</u>	<u>42,914,889</u>
 <b>Expenses</b>		
Program Expenses:		
Instruction	20,321,345	21,333,713
Instructional resources and media services	483,787	444,636
Curriculum and instructional staff development	795,840	987,516
Instructional leadership	682,155	566,484
School leadership	2,371,568	2,403,178
Guidance, counseling and evaluation services	908,245	913,205
Social services	64,690	81,046
Health services	365,354	400,711
Student (pupil) transportation	1,367,213	1,372,635
Food services	2,883,200	2,949,127
Cocurricular/extracurricular activities	2,210,122	2,055,456
General administration	1,466,511	1,303,701
Facility maintenance and operations	4,688,912	4,736,599
Security and monitoring services	73,648	52,283
Data processing services	423,944	507,216
Community services	443,947	478,398
Debt service	1,061,428	1,061,040
Payments to fiscal agent/member districts of SSA	538,542	499,854
Payments to juvenile justice alternative education	45,264	12,110
Other governmental charges	<u>55,625</u>	<u>54,151</u>
Total Expenses	<u>41,251,340</u>	<u>42,213,059</u>
Increase (decrease) in net position	(1,447,477)	701,830
Beginning net position	<u>18,642,730</u>	<u>17,940,900</u>
Ending net position	<u>\$17,195,253</u>	<u>\$18,642,730</u>

The District's total revenues were \$39,803,863. A significant portion, 80%, of the District's revenue comes from state aid – formula grants and operating grants, 13% comes from taxes, while 7% relates to charges for services, investments, and miscellaneous income.

### **Governmental Activities**

- Property tax rates remained the same at \$1.2991 per \$100 of taxable property value.
- Average daily attendance decreased by 89 students from the prior year to the current year.

## La Feria Independent School District Management's Discussion and Analysis

The total cost of all programs and services was \$41,251,340; 79% of these costs are for instructional and student services.

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

- The cost of all *governmental* activities this year was \$41,251,340.
- However, the amount that our taxpayers paid for these activities through property taxes was \$5,001,022.
- Some of the cost was paid by those who directly benefited from the programs \$528,608 or by grants and contributions \$7,169,601.

**Table III  
Net Cost of Selected District Functions**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Instruction and instructional related	\$21,600,972	\$22,765,865	\$18,163,133	\$18,854,274
School leadership	2,371,568	2,403,178	2,206,664	2,281,684
Food services	2,883,200	2,949,127	183,212	40,090
Facilities maintenance and operations	4,688,912	4,736,599	4,547,160	4,555,480

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements, bond covenants, and segregation for particular purposes.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of August 31, 2017, the District's governmental funds reported a combined ending fund balance of \$5,432,320, a decrease of \$314,013 from last year. Of the total fund balance, \$4,844,701, or approximately 89%, constitutes unassigned fund balance. The remainder of fund balance is nonspendable, restricted, committed or assigned for particular purposes as follows:

**Table IV  
Governmental Funds – Fund Balances**

	<u>2017</u>	<u>2016</u>
<b>Nonspendable</b>		
Inventories	\$ 104,905	\$ 108,549
Prepayments	126,871	171,868
<b>Restricted</b>		
Food service	142,902	294,482
Debt service	169,013	5,521
<b>Committed</b>		
Campus activity funds	43,928	72,966
<b>Unassigned</b>		
Unassigned	<u>4,844,701</u>	<u>5,092,947</u>
	<u>\$5,432,320</u>	<u>\$5,746,333</u>

# La Feria Independent School District Management's Discussion and Analysis

## General Fund Budgetary Highlights

Over the course of the year, the District revised its budget three times. Actual expenditures were \$554,370 below final budget amounts with two functions exceeding the approved budget amounts. The negative variances resulted from repairs for drainage and air conditioning late in the year and significantly higher tuition for the juvenile justice alternative program at the end of the year with invoices for the repairs and the tuition not received in the business office until after year end. Below are additional items of importance:

- There were positive variances in final budget for all functions except facilities maintenance and operations and payments to JJAEP.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2017, the District had invested \$43,100,288 in a broad range of capital assets, including land, buildings and improvements and equipment.

**Table V  
Capital Asset Summary**

	Governmental Activities	
	2017	2016
Land	\$ 2,233,311	\$ 2,483,311
Buildings and improvements	59,031,858	59,031,858
Equipment	6,784,859	6,436,488
Total assets at historical cost	68,050,028	67,951,657
Less accumulated depreciation	(24,949,740)	(22,969,081)
Net capital assets	\$43,100,288	\$44,982,576

## La Feria Independent School District Management's Discussion and Analysis

### Long-term Liabilities

At year-end the District had the following long-term liabilities:

**Table VI  
Long-term Liabilities Outstanding**

	Governmental Activities	
	2017	2016
General obligation bonds payable	\$23,485,000	\$25,295,000
Bond issuance premiums	2,418,113	1,096,378
Maintenance tax notes	1,385,000	1,445,000
Maintenance tax notes premium	23,380	25,772
Property finance contract	1,166,364	1,336,668
Compensated absences	205,301	196,382
Net pension liability	7,119,243	6,823,672
Totals	\$35,802,401	\$36,218,872

The District issued \$12,065,000 Series 2016 and 2017 refunding bonds to advance refund the 2006 refunding bonds and the majority of the 2008 school building bonds. The bonds sold at premiums of \$1,586,255 with a net issuance cost of \$263,843. The advance refunding resulted in an economic gain to the taxpayers of the District of \$1,739,358.

State statutes do not limit the tax rate or amount of local tax support for school district's bonded indebtedness. However, approval of the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District's long-term debt can be found in the notes to the financial statements as indicated in the table of contents of this report.

### Pension

The District reports net pension liabilities, deferred inflows of resources and deferred outflows of resources and the recognition of pension expense in accordance with the provisions of GASB Statement No. 68. The amounts recorded by the District for the current school year for net pension liability increased while the deferred inflows of resources related to TRS and deferred outflows of resources related to TRS decreased over the amounts reported at the end of the prior school year. See note 15 to the financial statements for additional information on these changes and the pension related balances at year end.

## **La Feria Independent School District Management's Discussion and Analysis**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Appraised value used for the 2017-2018 budget preparation is the certified estimate of \$413,513,679.
- Our tax rate will remain the same at \$1.2991 per \$100 of valuation. Our tax levy will increase as a result of the 3% increase in taxable values.
- General operating fund spending per student increased in the 2017-2018 budget from \$10,005 to \$10,068.
- The District's 2017-2018 refined average daily attendance is expected to decrease by 150 average daily attendance.

These indicators were taken into account when adopting the general fund budget for 2017-2018. The District separated from the Mercedes Special Education Cooperative at the end of the current school year. A special education department was created during 2016-2017 and will replace the services previously provided by the cooperative. The department will provide enhanced services to District students and additional efficiencies to District operations.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office.

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# **FINANCIAL STATEMENTS**



LA FERIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2017

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 4,719,819
1220 Property Taxes Receivable (Delinquent)	947,139
1230 Allowance for Uncollectible Taxes	(28,415)
1240 Due from Other Governments	2,050,982
1290 Other Receivables, net	597,215
1300 Inventories	104,905
1410 Prepayments	126,871
Capital Assets:	
1510 Land	2,233,311
1520 Buildings, Net	38,581,755
1530 Furniture and Equipment, Net	2,285,222
1000 Total Assets	51,618,804
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	812,157
1705 Deferred Outflow Related to TRS	3,229,099
1700 Total Deferred Outflows of Resources	4,041,256
<b>LIABILITIES</b>	
2110 Accounts Payable	765,117
2140 Interest Payable	84,499
2150 Payroll Deductions & Withholdings	435,175
2160 Accrued Wages Payable	566,516
2180 Due to Other Governments	400,664
Noncurrent Liabilities	
2501 Due Within One Year	1,693,595
2502 Due in More Than One Year	26,989,563
2540 Net Pension Liability (District's Share)	7,119,243
2000 Total Liabilities	38,054,372
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS	410,435
2600 Total Deferred Inflows of Resources	410,435
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	15,434,588
3820 Restricted for Federal and State Programs	199,778
3850 Restricted for Debt Service	180,437
3900 Unrestricted	1,380,450
3000 Total Net Position	\$ 17,195,253

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

LA FERIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 20,321,345	\$ 9,592	\$ 3,069,140	\$ (17,242,613)
12 Instructional Resources and Media Services	483,787	-	24,595	(459,192)
13 Curriculum and Staff Development	795,840	-	334,512	(461,328)
21 Instructional Leadership	682,155	-	50,773	(631,382)
23 School Leadership	2,371,568	-	164,904	(2,206,664)
31 Guidance, Counseling and Evaluation Services	908,245	-	127,688	(780,557)
32 Social Work Services	64,690	-	5,028	(59,662)
33 Health Services	365,354	-	21,434	(343,920)
34 Student (Pupil) Transportation	1,367,213	-	87,133	(1,280,080)
35 Food Services	2,883,200	127,461	2,572,527	(183,212)
36 Extracurricular Activities	2,210,122	382,665	82,578	(1,744,879)
41 General Administration	1,466,511	-	87,817	(1,378,694)
51 Facilities Maintenance and Operations	4,688,912	8,890	132,862	(4,547,160)
52 Security and Monitoring Services	73,648	-	2,552	(71,096)
53 Data Processing Services	423,944	-	20,227	(403,717)
61 Community Services	443,947	-	385,831	(58,116)
72 Debt Service - Interest on Long Term Debt	793,079	-	-	(793,079)
73 Debt Service - Bond Issuance Cost and Fees	268,349	-	-	(268,349)
93 Payments related to Shared Services Arrangements	538,542	-	-	(538,542)
95 Payments to Juvenile Justice Alternative Ed. Prg.	45,264	-	-	(45,264)
99 Other Intergovernmental Charges	55,625	-	-	(55,625)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 41,251,340</b>	<b>\$ 528,608</b>	<b>\$ 7,169,601</b>	<b>(33,553,131)</b>

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		4,512,501
DT	Property Taxes, Levied for Debt Service		488,521
SF	State Aid - Formula Grants		24,793,147
GC	Grants and Contributions not Restricted		2,087,801
IE	Investment Earnings		52,605
MI	Miscellaneous Local and Intermediate Revenue		171,079
TR	<b>Total General Revenues</b>		<b>32,105,654</b>
CN	Change in Net Position		(1,447,477)
NB	Net Position - Beginning		18,642,730
NE	Net Position--Ending		<b>\$ 17,195,253</b>

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

LA FERIA INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 4,437,839	\$ 276,322	\$ 5,658	\$ 4,719,819
1220 Property Taxes - Delinquent	817,155	129,984	-	947,139
1230 Allowance for Uncollectible Taxes (Credit)	(24,515)	(3,900)	-	(28,415)
1240 Receivables from Other Governments	1,722,561	-	328,421	2,050,982
1260 Due from Other Funds	161,067	176,682	-	337,749
1290 Other Receivables	597,215	-	-	597,215
1300 Inventories	104,905	-	-	104,905
1410 Prepayments	126,871	-	-	126,871
1000 Total Assets	<u>\$ 7,943,098</u>	<u>\$ 579,088</u>	<u>\$ 334,079</u>	<u>\$ 8,856,265</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 707,439	\$ -	\$ 57,678	\$ 765,117
2150 Payroll Deductions and Withholdings Payable	435,175	-	-	435,175
2160 Accrued Wages Payable	495,110	-	71,406	566,516
2170 Due to Other Funds	176,682	-	161,067	337,749
2180 Due to Other Governments	116,673	283,991	-	400,664
2000 Total Liabilities	<u>1,931,079</u>	<u>283,991</u>	<u>290,151</u>	<u>2,505,221</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	792,640	126,084	-	918,724
2600 Total Deferred Inflows of Resources	<u>792,640</u>	<u>126,084</u>	<u>-</u>	<u>918,724</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	104,905	-	-	104,905
3430 Prepaid Items	126,871	-	-	126,871
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	142,902	-	-	142,902
3480 Retirement of Long-Term Debt	-	169,013	-	169,013
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	43,928	43,928
3600 Unassigned Fund Balance	4,844,701	-	-	4,844,701
3000 Total Fund Balances	<u>5,219,379</u>	<u>169,013</u>	<u>43,928</u>	<u>5,432,320</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,943,098</u>	<u>\$ 579,088</u>	<u>\$ 334,079</u>	<u>\$ 8,856,265</u>

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

LA FERIA INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2017

<b>Total Fund Balances - Governmental Funds</b>	\$	5,432,320
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets was \$68,050,028 and the accumulated depreciation was \$24,949,740.		43,100,288
<b>2</b> Long-term liabilities including bonds, tax maintenance notes, property finance contract payable and compensated absences are not due and payable in the current period and are not reported as liabilities in the funds.		(28,683,158)
<b>3</b> Accrued interest payable does not require current financial resources so it not reported as a liability in the funds.		(84,499)
<b>4</b> Property taxes receivable that will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.		918,724
<b>5</b> Gains/losses on defeasance of debt are recognized as deferred credits or charges and amortized over the remaining life of the debt. The District has deferred charges on refundings of \$812,157 from various refundings which are not reported in the funds.		812,157
<b>6</b> Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$7,119,243, a deferred resource inflow related to TRS in the amount of \$410,435, and a deferred resource outflow related to TRS in the amount of \$3,229,099. This resulted in a decrease in net position by \$4,300,579,		(4,300,579)
<b>19 Net Position of Governmental Activities</b>	\$	17,195,253

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

LA FERIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 4,895,893	\$ 524,006	\$ 314,950	\$ 5,734,849
5800 State Program Revenues	26,437,779	1,698,638	239,616	28,376,033
5900 Federal Program Revenues	3,203,831	-	2,470,684	5,674,515
5020 Total Revenues	<u>34,537,503</u>	<u>2,222,644</u>	<u>3,025,250</u>	<u>39,785,397</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	16,954,429	-	2,023,555	18,977,984
0012 Instructional Resources and Media Services	455,117	-	9,867	464,984
0013 Curriculum and Instructional Staff Development	457,584	-	321,688	779,272
0021 Instructional Leadership	659,438	-	2,418	661,856
0023 School Leadership	2,195,562	-	30,226	2,225,788
0031 Guidance, Counseling and Evaluation Services	789,262	-	64,529	853,791
0032 Social Work Services	62,795	-	-	62,795
0033 Health Services	328,373	-	-	328,373
0034 Student (Pupil) Transportation	1,199,967	-	-	1,199,967
0035 Food Services	2,703,991	-	-	2,703,991
0036 Extracurricular Activities	1,954,355	-	216,174	2,170,529
0041 General Administration	1,389,508	-	-	1,389,508
0051 Facilities Maintenance and Operations	4,505,613	-	-	4,505,613
0052 Security and Monitoring Services	72,014	-	-	72,014
0053 Data Processing Services	472,600	-	-	472,600
0061 Community Services	10,151	-	385,831	395,982
<b>Debt Service:</b>				
0071 Principal on Long Term Debt	230,304	1,240,000	-	1,470,304
0072 Interest on Long Term Debt	106,476	824,664	-	931,140
0073 Bond Issuance Cost and Fees	-	268,349	-	268,349
<b>Intergovernmental:</b>				
0093 Payments to Fiscal Agent/Member Districts of SSA	538,542	-	-	538,542
0095 Payments to Juvenile Justice Alternative Ed. Prg.	45,264	-	-	45,264
0099 Other Intergovernmental Charges	55,625	-	-	55,625
6030 Total Expenditures	<u>35,186,970</u>	<u>2,333,013</u>	<u>3,054,288</u>	<u>40,574,271</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(649,467)</u>	<u>(110,369)</u>	<u>(29,038)</u>	<u>(788,874)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7901 Refunding Bonds Issued	-	12,065,000	-	12,065,000
7912 Sale of Real and Personal Property	201,000	-	-	201,000
7916 Premium or Discount on Issuance of Bonds	-	1,586,255	-	1,586,255
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(13,377,394)	-	(13,377,394)
7080 Total Other Financing Sources (Uses)	<u>201,000</u>	<u>273,861</u>	<u>-</u>	<u>474,861</u>
1200 Net Change in Fund Balances	(448,467)	163,492	(29,038)	(314,013)
0100 Fund Balance - September 1 (Beginning)	<u>5,667,846</u>	<u>5,521</u>	<u>72,966</u>	<u>5,746,333</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 5,219,379</u>	<u>\$ 169,013</u>	<u>\$ 43,928</u>	<u>\$ 5,432,320</u>

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

LA FERIA INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2017

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(314,013)
Capital outlays are reported in the governmental funds as expenditures. In the statement of activities the cost of the assets, \$348,371 is allocated over their useful lives as depreciation expense which totaled \$1,980,659 for the year.		(1,632,288)
Because some property taxes will not be collected for several months after the District's year end, they are not considered "available" revenues in the governmental funds. This is the change in unearned tax revenue.		18,466
The sale of assets on the statement of activities is reported as a gain or loss transaction while in the governmental funds the proceeds are reported as other resources. The District sold land with a cost of \$250,000 for \$201,000 during the current year.		(250,000)
The issuance of long-term debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position. The District issued refunding bonds of \$12,065,000 which sold with premiums of \$1,586,255.		(13,651,255)
A payment to bond refunding escrow agent uses current financial resources in the governmental funds but liquidates long-term liabilities on the statement of activities. The District used the proceeds of the refunding bonds to advance refund the 2006 and the majority of the 2008 bonds outstanding.		13,377,394
Repayment of principal on long-term debt is an expenditure in the funds but is not an expense in the statement of activities.		1,470,304
Some expenses such as the effect of the change in compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(8,919)
Governmental funds report premiums, discounts, gains/losses on debt transactions when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. Interest is recorded in the governmental funds when paid but in the statement of activities it is accrued. This is the net impact of amortization of premiums, deferred losses and the change in accrued interest.		138,061
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. The contributions made after 8/31/16 caused the change in ending net position to increase by \$606,319. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in the net pension liability for the District which decreased the change in net position by \$598,585. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$602,961. The net result is to decrease the change in net position by (\$595,227).		(595,227)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>(1,447,477)</b>

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

LA FERIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2017

EXHIBIT E-1

	Private Purpose Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 68,424
Investments - Current	176,347	-
Other Receivables	723	2,228
Restricted Assets	-	2,434,535
Total Assets	177,070	\$ 2,505,187
<b>LIABILITIES</b>		
Accounts Payable	-	\$ 2,817
Due to Student Groups	14,576	67,835
Payable from Restricted Assets	-	2,434,535
Total Liabilities	14,576	\$ 2,505,187
<b>NET POSITION</b>		
Restricted for Scholarships	162,494	
Total Net Position	\$ 162,494	

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

LA FERIA INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2017

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 675
Total Additions	<u>675</u>
Change in Net Position	675
Total Net Position - September 1 (Beginning)	<u>161,819</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 162,494</u></u>

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



## La Feria Independent School District Notes to Financial Statements

### NOTE 1: REPORTING ENTITY

The La Feria Independent School District (District) is governed by a seven-member Board of Trustees (Board), which has governance responsibilities over all activities related to public education within the District. Because members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. The accompanying financial statements present the District. There are no component units, entities for which the District is considered to be financially accountable, included within the reporting entity.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding services.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

La Feria Independent School District's (the "District") basic financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide"). The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

#### *Basis of Presentation*

#### **Government-Wide Statements:**

The government-wide financial statements consist of the statement of net position and the statement of activities. These statements report information on all of the non-fiduciary activities of the District. The effect of the interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include charges to customers and grants used for operational requirements. Governmental activities are supported by tax revenues, state aid, charges for services, investment earnings and intergovernmental revenues such as grants.

Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements.

## La Feria Independent School District Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fund Financial Statements:

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to, and accounted for the purpose of, carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

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

**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.

Additionally, the District reports the following funds:

#### Nonmajor Governmental Funds:

**Special Revenue Funds.** Special Revenue Funds are the funds that account for state and federally financed programs or expenditures legally restricted for specified purposes or where unused balances are returned to the grantor at the close of specified project periods.

#### Fiduciary Funds:

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

**Private Purpose Trust Funds.** These funds are used to account for scholarship funds available for graduates of the District.

The District has no proprietary funds.

## La Feria Independent School District Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Implementation of New Standards*

In the current fiscal year, the District implemented the following new standards:

GASB Statement No. 77, Tax Abatement Disclosures, applies to financial reports of all state and local governmental entities, addresses the reduction of tax revenues resulting from an agreement between a government and an individual in which the government forgoes tax revenues and the individual promises to take specific action as a result of the agreement that contributes to the economic development to benefit the government or citizens of the government, and relates to agreements entered into by the reporting government or agreements entered into by other governments that reduce the reporting government's tax revenues. In fiscal year 2017, the District did not have tax abatement agreements that require disclosures in the financial statements.

#### *Recently Issued Accounting Pronouncements*

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. GASB Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. GASB Statement No. 75 also identified the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition GASB Statement No. 75 addresses the recognition and disclosure requirements for employers with liabilities to a defined benefit other postemployment benefits plan and for employers whose employees are provided with defined contribution other postemployment benefits. Management is evaluating the effects that the full implementation of GASB Statement No. 75 will have on its financial statements for the year ended June 30, 2018.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended June 30, 2021.

## La Feria Independent School District Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

These government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations.

On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become available and measurable. For this purpose, the District considers revenues to be available if they are collected within 60 days after year end except for IFA and EDA funding from the Texas Education Agency (TEA) for which the period was extended due to a delay by TEA in processing amendments related to state funding for refunding bonds issued. Grant and similar revenues, revenues received from the State of Texas and interest income are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Unearned revenue is reported in the governmental funds when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

#### *Budgets*

The official school budget was prepared for adoption for the general fund, the child nutrition fund (part of the general fund) and the debt service fund by August 20, 2016. The budget was formally adopted by the board of school trustees at a duly advertised public meeting prior to the expenditure of funds. The budget was amended by the board of school trustees throughout the year. Expenditures may not legally exceed budgeted appropriations at the function level.

#### *Cash and Cash Equivalents*

Investments are considered to be cash equivalents if they are highly liquid and have a maturity within three months or less.

**La Feria Independent School District**  
**Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Investments*

Money market investments which are short-term, highly liquid debt instruments including commercial paper, bankers' acceptances and U. S. Treasury and agency obligations are reported at fair value.

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's local governmental investment pools are recorded at amortized cost as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants*.

*Inventory*

Inventories include consumable maintenance, instructional, office and purchased food service items. These materials and supplies are carried in inventory at average cost and are subsequently charged to expenditures when consumed. Food service commodity inventory is recorded at fair market value on the date received.

Commodities are recognized as revenues in the period received when all the eligibility requirements are met. Commodity inventory items are recorded as expenditures when distributed for use. A portion of fund balance is restricted to reflect minimum inventory quantities considered necessary for the District's continuing operations.

*Prepayments*

Prepayments are expenditures that will benefit periods beyond August 31, 2017. The only prepayments included are for unexpired insurance policy premiums paid by August 31, 2017, and which extend beyond that date.

*Capital Assets*

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

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

<u>Assets Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	10-50
Vehicles	8
Furniture and Equipment	5-20

## La Feria Independent School District Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Deferred Outflows/Inflows of Resources*

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

*A deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has two items that qualify for reporting in this category:

- Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension – Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

*A deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has two items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension – Reported in the government wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.

## La Feria Independent School District Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Interfund Activity*

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

#### *Long-term Obligations*

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received and discounts incurred on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from debt proceeds, are reported as debt service requirements in both the government-wide and the fund financial statements.

#### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

#### *Compensated Absences*

The District's policy allows employees with at least fifteen years of service with the District to accumulate unused state leave. When an employee retires, the District will pay out any accumulated leave based on a formula which is weighted for years of service to the District.

#### *Pension*

The District is a member employer of the Teacher Retirement System of Texas (TRS) and, therefore, records its proportionate share of the pension liability and related accounts in these financial statements. 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.

## La Feria Independent School District Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Net Position and Fund Balances*

Net position on the Statement of Net Position include the following:

**Net Investment in Capital Assets.** The component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.

**Restricted for Federal and State Programs.** The component of net position that reports the difference between assets and liabilities of the Federal and State special revenue programs that consists of assets with constraints placed on their use by granting entities.

**Restricted for Debt Service.** The component of net position that reports the difference between assets, deferred inflows of resources and liabilities adjusted on a government-wide basis, that consists of assets with constraints placed on their use by the bond covenants.

**Restricted for Capital Projects.** The component of net position that reports the difference between assets and liabilities that consists of assets with constraints placed on their use by the 2016 school building bond covenants.

**Restricted for Campus Activities.** The component of net position that reports the difference between assets and liabilities that consists of assets with constraints placed on their use by the campuses.

**Unrestricted net position.** The difference between the assets, deferred inflows of resources and liabilities that are not reported in net position invested in capital assets, or restricted net position.

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

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

In the fund financial statements governmental funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

#### *Nonspendable Fund Balance*

**Nonspendable fund** is that portion of fund balance that is not expendable. Examples of non-spendable fund balance include prepaid items and inventories.



## La Feria Independent School District Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Spendable Fund Balance*

**Spendable Fund Balance.** Spendable fund balance includes restricted, committed, assigned and unassigned components. These components can be described as follows:

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation. Restricted fund balance includes funds for debt service, construction programs, and resources from other granting agencies.
- **Committed:** fund balances that can be used only for the specific purposes imposed by formal action through the adoption of a resolution by the Board of Trustees. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The Board has by board resolution authorized the Superintendent, or his designee, to assign fund balance. The Board, Superintendent or designee may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. An additional action does not have to be taken for the removal of an assignment.
- **Unassigned:** fund balances are the component of spendable fund balance which may be spent for any legal purpose. This portion of the total fund balance in the general fund is available to finance operating expenditures.

#### **Fund Balance Flow Assumptions**

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

#### *Accounting System*

In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure prescribed by TEA in the Resource Guide. Mandatory codes are recorded in the order provided in that section.

## La Feria Independent School District Notes to Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Data Control Codes*

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

### NOTE 3: DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank places approved pledged securities for safekeeping and trust with the District's agent 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.

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 the District to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. The District maintains an investment policy which authorizes the District to invest in obligations of the U.S. Treasury and U.S agencies, municipal securities and repurchase agreements and the State Treasurer's investment pool or similar public fund investment pools. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

#### Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of the failure of a bank failure, the government's deposits may not be returned to it. The collateral shall always be held by an independent third party with whom the District has a current custodial agreement. The District is not exposed to custodial credit risk for its deposits as all are covered by depository insurance or by pledged collateral held by the District's agent bank in the District's name.

At August 31, 2017, the carrying value of the District's deposits (other than the temporary investments listed below) was \$98,034 and the bank balance was \$783,461. The District's cash deposits at August 31, 2017, and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

## La Feria Independent School District Notes to Financial Statements

### NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

#### Investments

As of August 31, 2017, the District's investments consisted of Certificates of Deposit held in BBVA Compass bank with maturities in excess of three months and balances held by Lone Star Local Government Investment Pool (LSIP).

LSIP is a Texas public investment pool sponsored by the Texas Association of School Boards (TASB) for investment of funds by state and local government entities, primarily local school districts. The Board has entered into an agreement with First Public, LLC (First Public), a Texas limited liability company and a member of the National Association of Securities Dealers, Securities Investor Protection Corporation, and Municipal Securities Rulemaking Board, pursuant to which First Public serves as administrator of LSIP's operations. American Beacon Advisors, Fort Worth, Texas, and Standish Mellon Asset Management Company, LLC, Pittsburgh, Pennsylvania, provide investment management services to LSIP regarding the investment and reinvestment of the pool's assets. The fund's credit quality is excellent as its portfolio is composed of U. S. government and U. S. agency securities. Investments in LSIP provide for investment in securities with maturities and returns generally greater than money market instruments. LSIP is marked-to-market daily to maintain an accurate net asset value. The District's fair value in LSIP is the same as the value of the pool shares.

As noted in the District's Summary of Significant Accounting Policies, the District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79 Certain External Investment Pools and Pool Participants. In addition LSIP does not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pool does not impose any liquidity fees or redemption gates.

The District's temporary investments at August 31, 2017, are shown below:

	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
Investments			
Lone Star	\$7,124,464	97.6%	25
Certificates of deposit	<u>176,347</u>	<u>2.4</u>	N/A
	<u>\$7,300,811</u>	<u>100.0%</u>	

#### Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments in the external investment pool are not exposed to custodial risk. External investment pools are not subject to custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. As of August 31, 2017, the District's investment in Lone Star was rated AAA.

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 3: DEPOSITS AND INVESTMENTS (Continued)**

Credit Risk

This is the risk that a security issuer may default on an interest or principal payment. State law limits investments in local government pools to those that are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor's (S&P) or Moody's Investors service, or by investing in public fund investment pools rated no lower than AAA or AAAM. The District's investment in LSIP were rated AAA.

Interest-rate Risk

This type of risk occurs when potential purchases of debt securities do not agree to pay face value for those securities if interest rates rise. The District's investment policy does not allow the purchase of investments that would expose the District to interest-rate risk.

Concentration Risk

Thus type of risk is defined as positions of 5 percent or more in the securities of a single issuer. The District is not exposed to concentration risk because the investment portfolio mainly consists of external investment pools.

Restricted Assets

As of August 31, 2017, restricted assets of the Agency Fund include \$2,434,535 of cash and investments held in Lone Star Investment Pool as fiscal agent for the South Texas Health Cooperative.

The following is a reconciliation of the District's total cash, investments and restricted assets as of August 31, 2017, with the Statement of Net Position:

Deposits	\$ 88,153
Certificates of deposit	176,347
Petty cash	10,161
Investments	<u>7,124,464</u>
Total of all funds	7,399,125
Less: Statement of Fiduciary Net Position	
Cash and cash equivalents	(244,771)
Restricted assets	<u>(2,434,535)</u>
Statement of Net Position	<u>\$4,719,819</u>

**La Feria Independent School District**  
**Notes to Financial Statements**

**NOTE 4: PROPERTY TAX**

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

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. The District's 2016 tax rate was \$1.17 for maintenance and \$0.1291 for debt service per \$100 assessed valuation. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. At August 31, 2017 outstanding taxes in the general fund and debt service fund were \$817,155 and \$129,984 with a corresponding allowance for doubtful accounts of \$24,515 and \$3,900, respectively. Revenues from taxes are considered available when collected.

**NOTE 5: DUE FROM OTHER GOVERNMENTS AND AGENCIES**

Amounts due from other governments and agencies as of August 31, 2017 are as follows:

<u>General Fund</u>	<u>Due From</u>	<u>Due to</u>
Texas Education Agency:		
Foundation Revenues	\$1,131,057	\$116,673
Food Service Program – Breakfast and Lunch	49,903	-
Other governmental entities		
E-rate reimbursements	541,601	-
 <u>Debt Service Fund</u>		
Texas Education Agency:		
Instructional Facility Allotment	-	283,991
 <u>Other Governmental Funds</u>		
Texas Education Agency:		
ESEA, Title I Part A Improving Basic Program	147,151	-
ESEA, Title I Part C Migratory Children	77,773	-
IDEA – Part B, Formula	989	-
Career and Technical – Basic Grant	32,677	-
ESEA II, A Teacher and Principal Training	12,442	-
Student Support and Academic Enrichment Program	18,496	-
Instructional Materials Allotment	3,089	-
Prekindergarten Grant Program	3,585	-
Region One ESC:		
GEAR UP	<u>32,219</u>	<u>-</u>
 Total	 <u>\$2,050,982</u>	 <u>\$400,664</u>

**La Feria Independent School District**  
**Notes to Financial Statements**

**NOTE 6: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund receivable and payable balances at August 31, 2017 were:

<u>Due From</u>	<u>Due To</u>	
Title I, Part A	General Fund	\$ 81,628
Title I, Part C	General Fund	46,762
Career and Technical – Basic Grant	General Fund	32,677
General Fund	Debt Service Fund	<u>176,682</u>
		<u>\$337,749</u>

All amounts are scheduled to be repaid within one year. There were no transfers made between funds in the current year.

**NOTE 7: DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2017, were as follows:

	<u>Property Taxes, Net</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other Receivables</u>	<u>Total Receivables</u>
<b>Governmental Activities:</b>					
General Fund	\$792,640	\$1,722,561	\$ 161,067	\$597,215	\$3,273,483
Debt Service Fund	126,084	-	176,682	-	302,766
Nonmajor Governmental Funds	<u>-</u>	<u>328,421</u>	<u>-</u>	<u>-</u>	<u>328,421</u>
<b>Total Governmental Activities</b>	<u>\$918,724</u>	<u>\$2,050,982</u>	<u>\$337,749</u>	<u>\$597,215</u>	<u>\$3,904,670</u>
Amounts not scheduled for collection during the subsequent year	<u>\$689,043</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$ 689,043</u>

Payables at August 31, 2017, were as follows:

	<u>Accounts Payable</u>	<u>Noncurrent Liabilities Payable - Current Year</u>	<u>Salaries and Benefits</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Total Payables</u>
<b>Governmental Activities:</b>						
General Fund	\$ 707,439	\$1,757,157	\$ 930,285	\$176,682	\$116,673	\$3,688,236
Debt Service Fund	-	-	-	-	283,991	283,991
Nonmajor Governmental Funds	<u>57,678</u>	<u>-</u>	<u>71,406</u>	<u>161,067</u>	<u>-</u>	<u>290,151</u>
<b>Total Governmental Activities</b>	<u>\$765,117</u>	<u>\$1,757,157</u>	<u>\$1,001,691</u>	<u>\$ 337,749</u>	<u>\$400,664</u>	<u>\$4,262,378</u>
Amounts not scheduled for payment during the subsequent year	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

**La Feria Independent School District**  
**Notes to Financial Statements**

**NOTE 8: CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Land	\$ 2,483,311	\$ -	\$ (250,000)	\$ 2,233,311
Buildings and improvements	59,031,858	-	-	59,031,858
Furniture and equipment	<u>6,436,488</u>	<u>348,371</u>	<u>-</u>	<u>6,784,859</u>
Totals at historic cost	67,951,657	348,371	(250,000)	68,050,028
Less accumulated depreciation for:				
Buildings and improvements	(18,963,194)	(1,486,909)	-	(20,450,103)
Furniture and equipment	<u>(4,005,887)</u>	<u>(493,750)</u>	<u>-</u>	<u>(4,499,637)</u>
Total accumulated depreciation	<u>(22,969,081)</u>	<u>(1,980,659)</u>	<u>-</u>	<u>(24,949,740)</u>
Governmental activities capital assets, net	<u>\$44,982,576</u>	<u>\$(1,632,288)</u>	<u>\$ (250,000)</u>	<u>\$43,100,288</u>

The District sold land that was determined would not be used as a future campus location for \$201,000 which resulted in a \$49,000 loss during the year.

Depreciation was charged to the following functions:

**Government Activities:**

11 – Instruction	\$1,030,113
12 – Instructional Resources and Media Services	13,465
13 – Curriculum and instructional staff development	3,673
21 – Instructional Leadership	12,244
23 – School Leadership	119,218
31 – Guidance, Counseling and Evaluation Services	40,480
32 – Social Work Services	1,224
33 – Health Services	32,304
34 – Student (Pupil) Transportation	248,879
35 – Food Services	186,031
36 – Cocurricular/Extracurricular Activities	19,317
41 – General Administration	17,142
51 – Plant Maintenance and Operations	220,713
52 – Security and Monitoring Services	1,224
53 – Data Processing Services	7,347
61 – Community Services	<u>27,285</u>
Total depreciation expense	<u>\$1,980,659</u>

**La Feria Independent School District**  
**Notes to Financial Statements**

**NOTE 9: LONG-TERM LIABILITIES**

Long-term liabilities include bonds payable and the net pension liability. Changes in long-term liabilities for the year ended August 31, 2017 are as follows:

	Beginning Balance <u>9/01/16</u>	<u>Increase</u>	<u>Decrease</u>	Ending Balance <u>8/31/17</u>	Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Unlimited Tax Refunding Bonds - Series 2006	\$ 2,720,000	\$ -	\$ 2,720,000	\$ -	\$ -
Unlimited Tax School Building Bonds - Series 2008	10,510,000	-	10,205,000	305,000	305,000
Unlimited Tax School Refunding Bonds - Series 2014A	3,480,000	-	540,000	2,940,000	525,000
Unlimited Tax School Refunding Bonds - Series 2014B	3,470,000	-	30,000	3,440,000	30,000
Unlimited Tax School Refunding Bonds - Series 2015	5,115,000	-	20,000	5,095,000	25,000
Unlimited Tax School Refunding Bonds - Series 2016	-	8,360,000	305,000	8,055,000	245,000
Unlimited Tax School Refunding Bonds - Series 2017	<u>-</u>	<u>3,705,000</u>	<u>55,000</u>	<u>3,650,000</u>	<u>-</u>
	25,295,000	12,065,000	13,875,000	23,485,000	1,130,000
Premium on issuance of bonds	<u>1,096,378</u>	<u>1,586,255</u>	<u>264,520</u>	<u>2,418,113</u>	<u>210,657</u>
Subtotal on bonds	26,391,378	13,651,255	14,139,520	25,903,113	1,340,657
Maintenance tax notes	1,445,000	-	60,000	1,385,000	60,000
Premium on maintenance tax notes	25,772	-	2,392	23,380	2,327
Property finance contract	1,336,668	-	170,304	1,166,364	176,651
Compensated absences	196,382	32,343	23,424	205,301	113,960
Net pension liability	<u>6,823,672</u>	<u>894,156</u>	<u>598,585</u>	<u>7,119,243</u>	<u>-</u>
	<u>\$36,218,872</u>	<u>\$14,577,754</u>	<u>\$14,994,225</u>	<u>\$35,802,401</u>	<u>\$1,693,595</u>

**General Obligation Bonds**

*General Obligation Bonds:*

Bonds payable at August 31, 2017 are comprised of the following individual issues:

The District issued \$12,499,995 in 2008 school building bonds to purchase land, construct a new elementary school and fund various renovation projects as well as pay for the cost of issuing the bonds. During the current year all but the 2018 installment were defeased or paid. \$ 305,000

The District issued \$3,595,000 Series 2014A refunding bonds with interest ranging from 2% to 4% to advance refund \$3,720,000 of the 2005 refunding bonds outstanding. These bonds mature February 15, 2027. 2,940,000

The District issued \$3,585,000 Series 2014B refunding bonds with interest ranging from 2% to 4% to advance refund \$3,745,000 of the 2005 school building bonds outstanding. These bonds mature February 15, 2037. 3,440,000

The District issued \$5,310,000 Series 2015 refunding bonds with interest ranging from 2% to 4% to advance refund \$5,595,000 of the 2005 school building bonds outstanding. These bonds mature February 15, 2037. 5,095,000



## La Feria Independent School District Notes to Financial Statements

### NOTE 9: LONG-TERM LIABILITIES

The District issued \$8,360,000 Series 2016 refunding bonds with interest ranging from 2% to 4% to advance refund \$2,720,000 of the 2006 refunding bonds and \$6,090,000 of the 2008 school building bonds (maturities 2029 through 2038). These bonds mature in 2038. \$ 8,055,000

The District issued \$3,705,000 Series 2017 refunding bonds with interest ranging from 2% to 4% to advance refund \$3,825,000 of the 2008 school building bonds (maturities 2019 through 2028). These bonds mature in 2028. 3,650,000  
\$23,485,000

Maintenance tax notes in the original amount of \$1,545,000 were issued by the District in 2014 with interest ranging from 2% to 4.5% and the notes mature in 2034.

A property finance contract originally issued in 2007 was refinanced in 2011 in the amount of \$2,184,499 with interest at 3.823% and the final payment due in 2022.

#### *Advance Refunding*

During the current school year, the Board approved and issued \$12,065,000 in Unlimited Tax Refunding Bonds, Series 2016 and 2017 for the purpose of refunding a portion of the District's outstanding bonds Series 2006 Refunding and 2008 School Building Bonds and to provide resources to cover costs of issuance to purchase qualifying securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the accounts of the District. The refunding bonds were sold at premiums in the amount of \$1,586,255. The cost of issuance totaled \$263,843. Principal payments range from \$245,000 to \$770,000 plus interest and interest rates range from 2% to 4%.

The advance refunding was undertaken to reduce total debt service payments over the next 24 years by \$1,991,964 to obtain an economic gain (difference between the present value of the debt service payment of the refunded and refunding bonds) of \$1,739,358.

In prior years, the District defeased certain outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the respective trust account assets and related liabilities for the defeased bonds are not included in the District's financial statements. At August 31, 2017, the following outstanding bonds are considered defeased:

<u>Series</u>	<u>Ending Balance</u>
1997 Building	\$ 2,350,000
2005 Refunding	2,940,000
2005 Building	8,860,000
2006 Refunding	3,535,000
2008 Building	11,075,000
<u>Public Facilities Corporation</u>	
1999	670,000
2001	2,350,000
2002	605,000

**La Feria Independent School District**  
**Notes to Financial Statements**

**NOTE 9: LONG-TERM LIABILITIES**

Debt service requirements on long-term debt at August 31, 2017 are as follows:

Year Ending August 31,	General Obligation Bonds		Other Long-term Debt		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,130,000	\$ 1,981,440	\$ 236,651	\$ 98,471	\$ 1,366,651	\$ 2,079,911
2019	1,085,000	1,882,617	243,405	89,918	1,328,405	1,972,535
2020	1,120,000	1,881,207	255,416	80,869	1,375,416	1,962,076
2021	1,155,000	1,875,744	262,696	71,315	1,417,696	1,947,059
2022	1,190,000	1,868,247	275,254	61,394	1,465,254	1,929,641
2023-2027	5,015,000	7,886,501	597,942	191,922	5,612,942	8,078,423
2028-2032	5,410,000	7,652,533	465,000	98,525	5,875,000	7,751,058
2033-2037	6,610,000	7,570,640	215,000	9,770	6,825,000	7,580,410
2038	<u>770,000</u>	<u>791,706</u>	<u>-</u>	<u>-</u>	<u>770,000</u>	<u>791,706</u>
Total	<u>\$23,485,000</u>	<u>\$33,390,635</u>	<u>\$2,551,364</u>	<u>\$ 702,184</u>	<u>\$26,036,364</u>	<u>\$34,092,818</u>

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, 2017.

**NOTE 10: REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

During the year ended August 31, 2017, revenues from local and intermediate sources consisted of the following:

	General Fund	Debt Service	Other Funds	Total
Property taxes	\$4,482,611	\$499,945	\$ -	\$4,982,556
Penalties, interest and other	143,642	22,435	-	166,077
Investment income	50,344	1,626	635	52,605
Food sales	127,461	-	-	127,461
Co-curricular student activities	68,853	-	313,343	382,196
Other	<u>22,982</u>	<u>-</u>	<u>972</u>	<u>23,954</u>
	<u>\$4,895,893</u>	<u>\$524,006</u>	<u>\$314,950</u>	<u>\$5,734,849</u>

**La Feria Independent School District**  
**Notes to Financial Statements**

**NOTE 11: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

The components of the deferred outflows of resources and deferred inflows of resources in the government-wide and fund level financial statements as of August 31, 2017 are as follows:

	Statement of Net	Balance Sheet -	
	<u>Position</u>	<u>Governmental Funds</u>	
	Governmental <u>Activities</u>	General <u>Fund</u>	Debt Service <u>Fund</u>
Deferred outflows of resources:			
Deferred charge on refunding	\$ 812,157	\$ -	\$ -
Deferred outflow related to TRS	<u>3,229,099</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>\$4,041,256</u>	<u>\$-</u>	<u>\$-</u>
Deferred inflows of resources:			
Deferred inflows related to TRS	\$ 410,435	\$ -	\$ -
Unavailable property taxes	<u>-</u>	<u>792,640</u>	<u>126,084</u>
Total deferred inflows of resources	<u>\$ 410,435</u>	<u>\$792,640</u>	<u>\$126,084</u>

**NOTE 12: GENERAL FUND FEDERAL SOURCE REVENUES**

Federally financed programs are generally accounted for in the Special Revenue Funds of the District, except for indirect costs charged to federal programs which are accounted for in the General Fund as prescribed by the TEA and certain direct revenues. The District recognized in the General Fund such revenues for the year ended August 31, 2017, from various federal sources as follows:

<u>Programs or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
School Breakfast Program	10.553	\$ 763,582
National School Lunch Program - Cash Assistance	10.555	1,522,634
National School Lunch Program – Non-cash Assistance	10.555	168,074
Child and Adult Care Food Program	10.558	90,696
Indirect costs earned –		
Migrant Education State Grant Program	84.011	6,899
Improving Teacher Quality State Grants	84.367	881
Medical Assistance Program	93.778	20,797
SHARS	-	<u>630,268</u>
		<u>\$3,203,831</u>

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 13: COMMITMENTS AND CONTINGENCIES**

The District participates in a number of grant programs funded by State and Federal Agencies. These programs are subject to compliance audits by the grantor agencies or their representatives.

Audits of all of these programs for the year ended August 31, 2017 have not been conducted. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is a party to various legal actions, none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

**NOTE 14: COMPLIANCE AND ACCOUNTABILITY**

a. Finance-Related Legal and Contractual Provision

In accordance with GASB Codification Section 2300 "Notes to Financial Statements" violations of finance related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violations</u>	<u>Action Taken</u>
Expenditures exceeded amended budget in the following functions:	

**GENERAL FUND**

**0051 Facility Maintenance and Operations**

Last minute repairs to air conditioning equipment and a drainage problem caused this variance.

**0095 Payments to Juvenile Justice Alternative Education Program**

The monthly cost for the District's students the last three months of the school year more than tripled and invoices for two of the three months were not received until after year-end resulting in this variance.

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

There were no deficit fund balances or fund net position for any individual funds.

## La Feria Independent School District Notes to Financial Statements

### NOTE 15: DEFINED BENEFIT PENSION PLAN

#### Plan Description

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

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

#### Pension Plan Fiduciary Net Position

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, TX, 78701-2698; or by calling (512) 542-6592.

#### Benefits Provided

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

## La Feria Independent School District Notes to Financial Statements

### NOTE 15: DEFINED BENEFIT PENSION PLAN (Continued)

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

	<u>Contribution Rates</u>	
	<u>2016</u>	<u>2017</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity (state) (NECE)	6.8%	6.8%
Employer	6.8%	6.8%

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). Contributions as of the pension plan measurement date were as follows:

Current fiscal year employer contributions	\$ 606,319
Current fiscal year member contributions	\$1,712,412
2016 measurement year NECE on-behalf contributions	\$1,214,527

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

## La Feria Independent School District Notes to Financial Statements

### NOTE 15: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

### Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
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 primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

### Discount Rate

The discount rate used to measure the total pension liability was 8.0%. 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, 2016 are summarized on the next page.

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 15: DEFINED BENEFIT PENSION PLAN (Continued)**

**Teacher Retirement System of Texas  
Asset Allocation and Long-Term Expected Real Rate of Return  
As of August 31, 2016**

	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>	<u>Expected Contribution to Long-term Portfolio Returns<sup>1</sup></u>
<b>Global Equity</b>			
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%
<b>Stable Value</b>			
U. S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation – Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	<u>5%</u>	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			<u>1.0%</u>
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

<sup>1</sup> The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.



**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 15: DEFINED BENEFIT PENSION PLAN (Continued)**

**Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 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	<u>\$11,018,190</u>	<u>\$7,119,243</u>	<u>\$3,812,148</u>

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

At August 31, 2017, the District reported a liability of \$7,119,243 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 7,119,243
State's proportionate share that is associated with the District	<u>14,416,244</u>
Total	<u>\$21,535,487</u>

The net pension liability was measured as of August 31, 2016 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, 2015 thru August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was .0188397% which was a decrease of .0004642% from its proportion measured as of August 31, 2015.

**Changes Since the Prior Actuarial Valuation**

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended August 31, 2017, the District recognized pension expense of \$1,496,062 and revenue of \$1,214,527 for support provided by the State.

**La Feria Independent School District  
Notes to Financial Statements**

**NOTE 15: DEFINED BENEFIT PENSION PLAN (Continued)**

At August 31, 2017, the District reports 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 <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Differences between expected and actual economic experience	\$ 111,628	\$212,576
Changes in actuarial assumptions	216,982	197,336
Difference between projected and actual investment earnings	602,843	-
Changes in proportion and difference between the employer's, contributions and the proportionate share of contributions	<u>1,691,327</u>	<u>523</u>
Total net amounts per August 31, 2016 measurement date	2,622,780	410,435
Contributions paid to TRS subsequent to the measurement date	<u>606,319</u>	<u>-</u>
Total as of fiscal year-end	<u>\$3,229,099</u>	<u>\$410,435</u>

The \$606,319 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending August 31, 2018. 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:

<u>Pension Plan Years Ending August 31:</u>	<u>Pension Expense Amount</u>
2018	\$395,585
2019	395,585
2020	780,107
2021	366,041
2022	244,546
Thereafter	30,481

## La Feria Independent School District Notes to Financial Statements

### NOTE 16: RETIREE HEALTH CARE PLAN

**Plan Description.** The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS Care), a cost sharing multiple employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS Care 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 option 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](http://www.trs.state.tx.us) under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

**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. Contribution rates and amounts are shown in the table below for fiscal years 2017–2015.

Contribution Rates and Contribution Amounts							
Fiscal Year	Member		State on-behalf		District		Covered Payroll
	Rate	Amount	Rate	Amount	Rate	Amount	
2017	0.6500%	\$ 144,563	1.0000%	\$ 222,405	0.5500%	\$ 122,323	\$22,240,488
2016	0.6500%	142,515	1.0000%	219,263	0.5500%	120,595	21,926,324
2015	0.6500%	137,690	1.0000%	211,832	0.5500%	116,307	21,183,150

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Subsidy payments received by TRS-Care on behalf of the District are shown in the table below for fiscal years 2017-2015.

Fiscal Year	Medicare Part D
2017	\$ 70,094
2016	88,513
2015	90,081

Contributions made by the State on behalf of the District have been recorded in the government-wide financial statements and in the fund financial statements of the General Fund as both state revenues and payroll expenditures.

## La Feria Independent School District Notes to Financial Statements

### **NOTE 17: 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 for which the District carries commercial insurance. In addition, the District is a member of the Texas Association of School Boards Joint Account Self-Insurance Fund (Fund). The Fund was created to formulate, develop and administer a program of modified self-funding for the property and/or liability coverage for its membership, provide claims administration, and develop a comprehensive loss control program. The District pays contributions to the Fund for its general and legal liability, workers compensation, unemployment compensation, auto liability and auto physical damage coverage. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts. There were no significant reductions in coverage in the past fiscal year.

#### **Health Coverage**

The District provides the employees with a health insurance plan. The District paid premiums of \$346 per month per employee, and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to South Texas Health Cooperative which was formed in 1999 by several school districts. The cooperative is governed by a board of directors composed of the superintendents of the member districts. Claims are processed by Continental Benefits and reinsurance has been obtained for specific claims in excess of \$300,000 with no aggregate limit through Swiss RE. If the cooperative ceases to exist or the District decides not to participate, the District will be responsible for any unpaid claims for its employees. The monthly premium per employee for the 2018 school year remains at \$346.

### **NOTE 18: JOINT VENTURE - SHARED SERVICE ARRANGEMENTS**

The District participates in the Mercedes ISD Special Education Cooperative to provide special education services. The District contributed \$538,542 to the cooperative for school year 2017 and the funds were expended for payroll costs, purchased and contracted services, supplies and materials, and miscellaneous operating expenses. With the start of the 2017-2018 school year, the District will no longer be participating in this cooperative.

## La Feria Independent School District Notes to Financial Statements

### NOTE 19: FUND BALANCES

The District has classified its fund balances with the following hierarchy as of August 31, 2017:

**Nonspendable:** The District has inventories of \$104,905 and prepaid insurance of \$126,871 totaling \$231,776.

**Spendable:** The District has classified spendable fund balances as *Restricted*, *Committed*, *Assigned* and *Unassigned* and considered each to have been spent when expenditures are incurred.

Restricted for Federal and State Programs and Debt Service – Federal laws, Texas statutes and local ordinances require that certain revenues be specifically designed for the purposes of federal and state programs and debt service. The funds have been included in the restricted category of fund balance.

Committed for Campus Activity Funds – the School Board has taken action to commit the fund balance in the campus activity fund to the respective campus.

Unassigned – The unassigned fund balance has no constraints.

	<u>General Fund</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances:				
Nonspendable:				
Inventories:				
Food service	\$ 56,876	\$ -	\$ -	\$ 56,876
General fund	48,029	-	-	48,029
Prepaid insurance:				
General fund	126,871	-	-	126,871
Restricted:				
Food service	142,902	-	-	142,902
Debt service	-	169,013	-	169,013
Committed:				
Campus activity funds	-	-	43,928	43,928
Unassigned:	<u>4,844,701</u>	<u>-</u>	<u>-</u>	<u>4,844,701</u>
	<u>\$5,219,379</u>	<u>\$169,013</u>	<u>\$ 43,928</u>	<u>\$5,432,320</u>

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

LA FERIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-1

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 4,838,500	\$ 4,848,500	\$ 4,895,893	\$ 47,393
5800	State Program Revenues	27,413,188	27,413,188	26,437,779	(975,409)
5900	Federal Program Revenues	3,483,025	3,483,025	3,203,831	(279,194)
5020	Total Revenues	35,734,713	35,744,713	34,537,503	(1,207,210)
<b>EXPENDITURES:</b>					
<b>Current:</b>					
0011	Instruction	17,053,387	17,153,387	16,954,429	198,958
0012	Instructional Resources and Media Services	483,594	463,594	455,117	8,477
0013	Curriculum and Instructional Staff Development	457,620	457,620	457,584	36
0021	Instructional Leadership	562,150	662,150	659,438	2,712
0023	School Leadership	2,095,850	2,195,850	2,195,562	288
0031	Guidance, Counseling and Evaluation Services	793,066	793,066	789,262	3,804
0032	Social Work Services	84,150	84,150	62,795	21,355
0033	Health Services	445,100	345,100	328,373	16,727
0034	Student (Pupil) Transportation	1,485,202	1,285,202	1,199,967	85,235
0035	Food Services	2,833,825	2,833,825	2,703,991	129,834
0036	Extracurricular Activities	1,823,806	1,983,806	1,954,355	29,451
0041	General Administration	1,104,625	1,394,625	1,389,508	5,117
0051	Facilities Maintenance and Operations	4,232,542	4,432,542	4,505,613	(73,071)
0052	Security and Monitoring Services	51,600	76,600	72,014	4,586
0053	Data Processing Services	488,900	588,900	472,600	116,300
0061	Community Services	16,500	16,500	10,151	6,349
<b>Debt Service:</b>					
0071	Principal on Long Term Debt	229,723	230,323	230,304	19
0072	Interest on Long Term Debt	106,900	106,600	106,476	124
<b>Intergovernmental:</b>					
0093	Payments to Fiscal Agent/Member Districts of SSA	546,000	546,000	538,542	7,458
0095	Payments to Juvenile Justice Alternative Ed. Prg.	25,000	25,000	45,264	(20,264)
0099	Other Intergovernmental Charges	58,000	66,500	55,625	10,875
6030	Total Expenditures	34,977,540	35,741,340	35,186,970	554,370
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	757,173	3,373	(649,467)	(652,840)
<b>OTHER FINANCING SOURCES (USES):</b>					
7912	Sale of Real and Personal Property	-	-	201,000	201,000
8949	Other (Uses)	(500,000)	(500,000)	-	500,000
7080	Total Other Financing Sources (Uses)	(500,000)	(500,000)	201,000	701,000
1200	Net Change in Fund Balances	257,173	(496,627)	(448,467)	48,160
0100	Fund Balance - September 1 (Beginning)	5,667,846	5,667,846	5,667,846	-
3000	Fund Balance - August 31 (Ending)	\$ 5,925,019	\$ 5,171,219	\$ 5,219,379	\$ 48,160



LA FERIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
LAST THREE FISCAL YEARS

EXHIBIT G-2

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0188397%	0.0193039%	0.0112716%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 7,119,243	\$ 6,823,672	\$ 3,010,800
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	14,416,244	13,900,128	11,676,975
Total	<u>\$ 21,535,487</u>	<u>\$ 20,723,800</u>	<u>\$ 14,687,775</u>
District's Covered-Employee Payroll	\$ 21,926,324	\$ 21,183,150	\$ 20,314,011
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	32.47%	32.21%	14.82%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

LA FERIA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 LAST THREE FISCAL YEARS

EXHIBIT G-3

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 606,319	\$ 598,585	\$ 571,598
Contribution in Relation to the Contractually Required Contribution	(606,319)	(598,585)	(576,173)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (4,575)</u>
District's Covered-Employee Payroll	\$ 22,240,488	\$ 21,926,324	\$ 21,183,150
Contributions as a Percentage of Covered-Employee Payroll	2.73%	2.73%	2.70%

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

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

## La Feria Independent School District Notes to Required Supplementary Information

### I. Budgetary information

The Board adopts an “appropriated budget” on a basis consistent with GAAP for the general fund and debt service fund. At a minimum, the District is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these two funds.

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

- Prior to August 20 for a fiscal year start date of September 1, the District prepares a budget based on the modified zero-based budgeting concept for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- After one or more budget workshops with the Board, a meeting is called for the purpose of adopting the proposed budget. At least ten days but not more than 30 days public notice of the meeting is required.
- Prior to August 31 for a fiscal year start date of September 1, the Board legally adopts the budget for the general fund and debt service fund.
- After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund or functional spending category or total revenue or other resources object category requires Board approval prior to the fact. These amendments are presented to the Board at its regular monthly meeting and are reflected in the official minutes. Because the District has a policy of careful budgetary control, three budgetary amendments were necessary throughout the year.
- Expenditure budgets are controlled at the expenditure functional and object level by the appropriate administrator. Transfers may be authorized within functional and organizational categories that do not affect the total functional and organizational appropriation. All budget appropriations lapse at year-end.

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Encumbrances outstanding at year-end are commitments that do not constitute expenditures or liabilities. Since appropriations lapse at the end of each year, outstanding encumbrances are appropriately provided for in the subsequent fiscal year’s budget to provide for the liquidation of the prior commitments.

Over the course of the year, the District amended the budget three times. Total expenditures were less than the final approved budget by \$554,370; however there were negative variances for two functions. The following summarizes the primary factor for each variance in the current school year:

**Function 51 - Facilities Maintenance and Operations:** The District planned for summer repair costs when the final budget amendment was presented for approval but the actual costs incurred were higher than anticipated due primarily to a drainage problem and air conditioning repairs.

**Function 95 - Payments to Juvenile Justice Alternative Education Program:** The tuition cost for students in this program for the last three months of the school year more than tripled in amount from the prior months and two of the three invoices were not received until year-end. The business office staff did not have the necessary information available to include the increased cost in the final amendment.

End of year outstanding encumbrances that were provided for in the subsequent year’s budget for the general fund total \$33,368.

## La Feria Independent School District Notes to Required Supplementary Information

### II. Pension

**Changes of benefit terms** – There were no changes of benefit terms that affected measurement of the total pension liability reported in 2017 through 2015.

**Changes of Assumptions** – There were no changes to the actuarial assumptions or other inputs that affected amounts reported in 2017 and 2015. Amounts reported in 2016 reflect the following changes to assumptions:

#### *Economic Assumptions*

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

#### *Mortality Assumptions*

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

#### *Other Demographic Assumptions*

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

#### *Actuarial Methods and Policies*

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

**TEXAS EDUCATION AGENCY**

**REQUIRED SCHEDULES**

LA FERIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ Various
2009	1.040000	0.300000	321,087,577
2010	1.040000	0.296000	328,021,783
2011	1.040000	0.296000	331,039,817
2012	1.040000	0.296000	331,172,840
2013	1.040000	0.260000	335,392,755
2014	1.170000	0.129100	376,670,030
2015	1.170000	0.129100	349,382,936
2016	1.170000	0.129100	348,274,281
2017 (School year under audit)	1.170000	0.129100	377,980,359
1000 TOTALS			

(10) Beginning Balance 9/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2017
\$ 179,058	\$ -	\$ 7,249	\$ 1,984	\$ (9,484)	\$ 160,341
37,808	-	2,433	702	(293)	34,380
39,280	-	3,404	969	(293)	34,614
47,888	-	4,086	1,163	(231)	42,408
56,681	-	6,660	1,896	424	48,549
68,821	-	8,876	2,219	1,130	58,856
97,191	-	22,837	2,520	1,145	72,979
127,990	-	45,502	5,021	1,716	79,183
273,383	-	127,220	14,038	(6,038)	126,087
-	5,152,333	4,346,805	479,635	(36,151)	289,742
<u>\$ 928,100</u>	<u>\$ 5,152,333</u>	<u>\$ 4,575,072</u>	<u>\$ 510,147</u>	<u>\$ (48,075)</u>	<u>\$ 947,139</u>

LA FERIA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 148,500	\$ 148,500	\$ 129,399	\$ (19,101)
5800	State Program Revenues	21,000	21,000	25,611	4,611
5900	Federal Program Revenues	2,913,025	2,913,025	2,544,987	(368,038)
5020	Total Revenues	3,082,525	3,082,525	2,699,997	(382,528)
EXPENDITURES:					
0035	Food Services	2,833,825	2,833,825	2,703,991	129,834
0051	Facilities Maintenance and Operations	248,700	248,700	165,253	83,447
6030	Total Expenditures	3,082,525	3,082,525	2,869,244	213,281
1200	Net Change in Fund Balances	-	-	(169,247)	(169,247)
0100	Fund Balance - September 1 (Beginning)	369,025	369,025	369,025	-
3000	Fund Balance - August 31 (Ending)	\$ 369,025	\$ 369,025	\$ 199,778	\$ (169,247)



LA FERIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 565,500	\$ 565,500	\$ 524,006	\$ (41,494)
5800	State Program Revenues	1,469,000	1,469,000	1,698,638	229,638
5020	Total Revenues	2,034,500	2,034,500	2,222,644	188,144
<b>EXPENDITURES:</b>					
<b>Debt Service:</b>					
0071	Principal on Long Term Debt	1,280,000	1,240,000	1,240,000	-
0072	Interest on Long Term Debt	1,113,000	1,153,000	824,664	328,336
0073	Bond Issuance Cost and Fees	7,000	7,000	268,349	(261,349)
6030	Total Expenditures	2,400,000	2,400,000	2,333,013	66,987
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(365,500)	(365,500)	(110,369)	255,131
<b>OTHER FINANCING SOURCES (USES):</b>					
7901	Refunding Bonds Issued	-	-	12,065,000	12,065,000
7911	Capital Related Debt Issued (Regular Bonds)	500,000	500,000	-	(500,000)
7916	Premium or Discount on Issuance of Bonds	-	-	1,586,255	1,586,255
8940	Payment to Bond Refunding Escrow Agent (Use)	-	-	(13,377,394)	(13,377,394)
7080	Total Other Financing Sources (Uses)	500,000	500,000	273,861	(226,139)
1200	Net Change in Fund Balances	134,500	134,500	163,492	28,992
0100	Fund Balance - September 1 (Beginning)	5,521	5,521	5,521	-
3000	Fund Balance - August 31 (Ending)	\$ 140,021	\$ 140,021	\$ 169,013	\$ 28,992

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# **COMPLIANCE SECTION**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees  
La Feria 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, each major fund, and the aggregate remaining fund information of the La Feria Independent School District as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the La Feria Independent School District's basic financial statements and have issued our report thereon dated January 22, 2018.

**Internal Control over Financial Reporting**

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

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

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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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the La Feria 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-001.

### **La Feria Independent School District's Response to Findings**

La Feria Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. La Feria Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

*Cary Riggs & Ingram, L.L.C.*

Harlingen, Texas  
January 22, 2018

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Carr, Riggs & Ingram, LLC  
402 East Tyler Avenue  
Harlingen, TX 78550-9122  
  
(956) 423-3765  
(956) 428-7520 (fax)  
CRlcpa.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees  
La Feria Independent School District

**Report on Compliance for Each Major Federal Program**

We have audited the La Feria Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the La Feria Independent School District's major federal programs for the year ended August 31, 2017. La Feria Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the La Feria Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.



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## Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-002 that we consider to be significant deficiencies.

La Feria Independent School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. La Feria Independent School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Cary Riggs & Ingram, L.L.C.*

Harlingen, Texas  
January 22, 2018

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**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED AUGUST 31, 2017**

**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditors' 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*

**Internal control over major programs:**

- Material weakness(es) identified?  yes  no
- Significant deficiencies identified that are not considered to be material weakness(es)?  yes  none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  yes  no

**Identification of major programs:**

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.553 and 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?  yes  no

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2017*

**Section II – Findings Related to the Financial Statement Audit as Required to Be Reported in Accordance with Generally Accepted Government Auditing Standards**

**A. Financial Statement Findings**

**None noted that were required to be reported**

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2017*

**Section II – Findings Related to the Financial Statement Audit as Required to Be  
Reported in Accordance with Generally Accepted Government Auditing Standards - Continued**

**B. Compliance Findings**

<u>PROGRAM</u>	<u>DESCRIPTION</u>
<b>Schedule Reference Number: (2017-001)</b>	<b>State Compliance – Excess Expenditures Over Appropriations</b>
Criteria:	State law requires budget amendments to be made prior to exceeding a function total.
Condition Found:	As indicated in the District’s financial statements, we noted two instances in which the District’s budget had been exceeded on a functional level in the general fund.
Questioned Costs/Basis:	Not applicable
Context:	We noted two negative variances in the general fund variance with final budget.
Effect:	The District incurred expenditures that are not budgeted in advance by the Board of Trustees.
Recommendation:	We recommend the District continue to closely monitor the budget on a monthly basis.



**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED*  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*YEAR ENDED AUGUST 31, 2017*

<u>PROGRAM</u>	<u>STATUS OF PRIOR YEAR FINDING/NEW COMPLIANCE</u>
<b>Schedule Reference Number (2016-001)</b>	<b>Accounting for Campus Activity Funds within Centralized Accounting System</b>  The District CFO and Business Manager established organization codes by campus for posting of campus activity cash receipts and disbursements for the 2016-2017 school year.
<b>Schedule Reference Number (2016-002)</b>	<b>Excess Expenditures Over Appropriations</b>  The District CFO and accountant reviewed and amended the budget a total of three times during the year due to several different issues arising at or near year end. However, the final budget amendment was insufficient to provide for the two functional variances. See current year finding (2017-001).
<b>Schedule Reference Number (2016-003)</b>	<b>Late Submission to Federal Audit Clearinghouse</b>  The District CFO monitored the single audit clearinghouse submission process to ensure the reporting package (data collection form and audit reports) was submitted within 30 calendar days of receipt of the final audit report for the 2015-2016 school year.



**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED*  
**CORRECTIVE ACTION PLAN**  
*YEAR ENDED AUGUST 31, 2017*

**FINDING**

**CORRECTIVE ACTION PLAN**

**Reference Number: (2017-001)**

**State Compliance – Excess Expenditures Over Appropriations**

The District CFO and accountant will review on a monthly basis expenditures by function for the general fund during the 2017-2018 fiscal year to curtail overages of expenditure at a function level.

**Reference Number: (2017-002)**

**Suspension and Debarment**

The District CFO and accountant will periodically review vendors utilized on purchasing cooperatives to ensure they are not suspended or debarred as well as implement a process to utilize the SAMs database for verifying and documenting vendors are not suspended or debarred prior to authorizing purchases.

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Contact Person:

Ramon Mendoza,  
Chief Financial Officer

Implementation Time Frame:

Ongoing

LA FERIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-through Entity Identifying Number	(4) Provided to Subrecipients	(5) Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<u>Passed Through the State Department of Agriculture</u>				
*School Breakfast Program	10.553	71401701	\$ -	\$ 763,582
*National School Lunch Program- Cash Assistance	10.555	17301701	-	1,522,634
*National School Lunch Program- Non-Cash Assistance	10.555	00153	-	168,074
Total National School Lunch Program				1,690,708
Total Child Nutrition Cluster				2,454,290
Child and Adult Care Food Program	10.558	176TX332N1099	-	90,696
Total Passed Through State Department of Agriculture				2,544,986
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>				
				2,544,986
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<u>Passed Through State Department of Education</u>				
Title I Grants to Local Educational Agencies	84.010	17610101031905	-	1,540,268
Title I Grants to Local Educational Agencies	84.010	18610101031905	-	78,411
Title I Grants to Local Educational Agencies	84.010	17610112031905000	-	40,000
Total Title I Grants to Local Educational Agencies				1,658,679
Migrant Education State Grant Program	84.011	17615001031905	-	394,382
*Special Education Grants to States	84.027	186600010319056600	-	989
Career and Technical Education - Basic Grants to States	84.048	17420006031905	-	60,891
Career and Technical Education - Basic Grants to States	84.048	18420006031905	-	32,896
Total Career and Technical Education - Basic Grants to States				93,787
English Language Acquisition State Grants	84.365	17671001031905	-	49,301
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	17694501031905	-	184,001
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	18694501031905	-	5,883
Total Supporting Effective Instruction State Grants				189,884
Grants for State Assessments and Related Activities	84.369	69551702	-	2,330
Student Support and Academic Enrichment Program	84.424	18680101031905	-	18,496
Total Passed Through State Department of Education				2,407,848
<u>Passed Through Region One ESC</u>				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334A110180-16	-	70,616
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>				
				2,478,464
<b>U.S. DEPARTMENT OF Health and Human Services</b>				
<u>Passed Through Texas Department of Human Services</u>				
Medical Assistance Program	93.778	529-07-01457-00138	-	20,797
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				
				\$ 5,044,247

\*Clustered Programs

The accompanying notes are an integral part of this schedule

**La Feria Independent School District  
Notes on Accounting Policies for Federal Awards**

**Exhibit K-2**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of La Feria Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

**NOTE 2 – PROGRAM REPORTING**

SHARS, MAC and \$7,780 of indirect cost are accounted for in the general fund. The National School Lunch Program, School Breakfast Program Commodity Supplemental Food Program, and Child and Adult Care Food Program are accounted for in the Child Nutrition Program. Expenditures are not specifically attributable to these revenues and are shown on this schedule in an amount equal to revenue for balancing purposes only.

**Reconciliation**

Total expenditures of federal awards, per Exhibit K-1	\$5,044,247
General fund – Federal Revenue	
School Health and Related Services (SHARS) revenue	<u>630,268</u>
Total Federal Revenues, per Exhibit C-3	<u>\$5,674,515</u>

**NOTE 3 – SUB-RECIPIENTS**

During the year ended August 31, 2017, the La Feria Independent School District had no sub-recipients.

**NOTE 4 – FEDERAL LOANS AND LOAN GUARANTEES**

During the year ended August 31, 2017, the District had no outstanding federal loans payable or loan guarantees.

**NOTE 5 – FEDERALLY FUNDED INSURANCE**

During the year ended August 31, 2017, the District had no federally funded insurance.

**La Feria Independent School District  
Notes on Accounting Policies for Federal Awards**

**Exhibit K-2**

**NOTE 6 – NONCASH AWARDS**

During the year ended August 31, 2017, the District received \$168,074 of federal awards in the form of noncash assistance.

**NOTE 7 – INDIRECT COST RATE**

The Uniform Guidance allows an organization to elect a 10% de minimus indirect cost rate. For the year ended August 31, 2017, the District did not elect to use this rate.