

**LA FERIA
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL
AND
COMPLIANCE REPORT

AUGUST 31, 2018

**La Feria Independent School District
Board of Trustees
August 31, 2018**

TRUSTEES

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Javier Loreda- Trustee (until November 15, 2018)

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SUPERINTENDENT

Cathy Lee Hernandez

CHIEF FINANCIAL OFFICER

Antonio Aguilar

La Feria Independent School District
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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, 2018 at a meeting of the board of school trustees of such school district on the 24 day of January, 2019.



Signature of Board Secretary



Signature of Board President

FINANCIAL SECTION



Carr, Riggs & Ingram, LLC
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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 ("the District") as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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

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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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Pronouncement

As described in Note 2 to the financial statements, the La Feria Independent School District adopted Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which resulted in a cumulative effect of change in accounting principle of (\$21,404,426) to the August 31, 2017 net position for governmental activities. Our opinion is not modified with respect to this matter.

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 of the General Fund, net pension and other post-employment liability, pension and other post-employment contribution information, and the related notes to the required supplementary information on pages 11-19 and 65-71 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 the 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 section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2019, 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 solely 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 the effectiveness of the La Feria Independent School District's 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.

Carr, Riggs & Ingram, L.L.C.

Harlingen, Texas
January 24, 2019

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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, 2018. 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 \$418,059 (net position) which is a decrease from the prior year of \$16,777,194. This decrease is caused by the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* (GASB No. 75) and reflecting the District's proportionate share of the post-employment benefit liability in the financials. This change does not affect the financial stability of the District nor does it change how the District conducts its financial decision-making. Rather, the District is reflecting its portion of the liability that the State of Texas manages and operates on-behalf of all school districts in Texas.

The District's General Fund reported a fund balance this year of \$5,656,889 which is an increase of \$437,510.

The District's Debt Service fund reported no fund balance this year which is a decrease of \$169,013 and the result of lower tax revenues for Interest and Sinking after the TRE was passed by the voters of the District.

The District received a "B-Above Standard" rating for the Financial Integrity System of Texas (FIRST) for 2017-2018 which is the same rating received 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.

The District's current and delinquent property tax collections were 94.1% 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, the Schedule of District Contributions for Pensions to the Teacher Retirement System of Texas, the Schedule of the District's Proportionate Share of the Net OPEB Liability of the Teacher Retirement System of Texas, and the Schedule of the District's OPEB 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.

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.

La Feria Independent School District Management's Discussion and Analysis

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, 2018, the District's assets and deferred outflows exceeded its liabilities and deferred inflows by \$418,059. The significant decrease in net position is due to the implementation of GASB No. 75.

**Table I
Net Position Summary**

	Governmental Activities	
	2018	2017
Current and other assets	\$ 9,400,067	\$ 8,518,516
Capital assets	<u>42,266,125</u>	<u>43,100,288</u>
Total assets	<u>51,666,192</u>	<u>51,618,804</u>
 Deferred outflows of resources	 <u>3,214,115</u>	 <u>4,041,256</u>
 Other liabilities	 2,898,585	 2,251,971
Long-term liabilities	<u>45,453,706</u>	<u>35,802,401</u>
Total liabilities	<u>48,352,291</u>	<u>38,054,372</u>
 Deferred inflows of revenues	 <u>6,109,957</u>	 <u>410,435</u>
 Net investment in capital assets	 15,847,106	 15,434,588
Restricted	201,210	380,215
Unrestricted	<u>(15,630,257)</u>	<u>1,380,450</u>
Total net position	<u>\$ 418,059</u>	<u>\$17,195,253</u>

As depicted in Table I, a significant portion of the District's net position, \$15,847,106, 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. An additional portion of the District's net position, \$201,210, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(15,630,257) due to GASB No. 75.

Change in Net Position

Total net position of the District increased by \$4,627,232 before the prior period adjustment for GASB no. 75 of \$21,404,426, resulting in a total decrease in net position of \$16,777,194 over last year.

The dramatic change in total expenses as well as operating grants and contributions revenue from the prior year is reflective of a negative adjustment brought about by the implementation of the new OPEB standards promulgated by GASB no. 75 and significant changes in the benefits provided by the TRS retiree healthcare plan (TRS-Care). The reduction in plan benefits resulted in a sizable decrease in the District's Net OPEB liability and a resulting negative OPEB expense in accordance with newly implemented accounting standards. Under these standards, the District is also required to report what is essentially both negative on-behalf expenses and negative on-behalf revenues for the portion of the reduction in the OPEB liability that is the responsibility of the State. See Note 20 to the financial statements for a reconciliation of functional expenses and revenues impacted by this accounting treatment.

La Feria Independent School District Management's Discussion and Analysis

Table II
Changes in Net Position

	Governmental Activities	
Revenues	2018	2017
Program Revenues:		
Charges for services	\$ 477,179	\$ 528,608
Operating grants and contributions	1,139,665	7,169,601
General Revenues:		
Property taxes	5,106,923	5,001,022
State and other grants	26,889,579	26,880,948
Investment earnings	124,180	52,605
Miscellaneous local intermediate	181,266	171,079
Total Revenues	33,918,792	39,803,863
 Expenses		
Program Expenses:		
Instruction	13,590,140	20,321,345
Instructional resources and media services	361,518	483,787
Curriculum and instructional staff development	476,468	795,840
Instructional leadership	506,638	682,155
School leadership	1,657,093	2,371,568
Guidance, counseling and evaluation services	590,917	908,245
Social services	18,314	64,690
Health services	227,838	365,354
Student (pupil) transportation	969,764	1,367,213
Food services	2,520,375	2,883,200
Cocurricular/extracurricular activities	1,599,300	2,210,122
General administration	1,074,891	1,466,511
Facility maintenance and operations	3,939,003	4,688,912
Security and monitoring services	48,448	73,648
Data processing services	500,796	423,944
Community services	291,296	443,947
Debt service	830,582	1,061,428
Payments to fiscal agent/member districts of SSA	-	538,542
Payments to juvenile justice alternative education	25,592	45,264
Other governmental charges	62,587	55,625
Total Expenses	29,291,560	41,251,340
Increase (decrease) in net position	4,627,232	(1,447,477)
Beginning net position	17,195,253	18,642,730
Prior period adjustment	(21,404,426)	-
Ending net position	\$ 418,059	\$17,195,253

The District's total revenues were \$33,918,792. A significant portion, 82.6%, of the District's revenue comes from state aid – formula grants and operating grants, 15% comes from taxes, while 2.3% 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 131 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 \$29,291,560; 77% 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 \$29,291,560.
- However, the amount that our taxpayers paid for these activities through property taxes was \$5,106,923.
- Some of the cost was paid by those who directly benefited from the programs \$477,179 or by grants and contributions \$1,139,665.

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

<u>Program revenues</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Instruction and instructional related	\$14,428,126	\$21,600,972	\$14,528,425	\$18,163,133
School leadership	1,657,093	2,371,568	2,052,801	2,206,664
Food services	2,520,375	2,883,200	(72,353)	183,212
Facilities maintenance and operations	3,939,003	4,688,912	4,267,617	4,547,160

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, 2018, the District's governmental funds reported a combined ending fund balance of \$5,689,827, an increase of \$257,507 from last year. Of the total fund balance, \$5,271,730, or approximately 93%, 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>2018</u>	<u>2017</u>
Nonspendable		
Inventories	\$ 56,214	\$ 104,905
Prepayments	127,735	126,871
Restricted		
Food service	201,210	142,902
Debt service	-	169,013
Committed		
Campus activity funds	32,938	43,928
Unassigned		
Unassigned	<u>5,271,730</u>	<u>4,844,701</u>
	<u>\$5,689,827</u>	<u>\$5,432,320</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 several times. Actual expenditures were \$1,300,590 below final budget amounts with two functions exceeding the approved budget amounts. The negative variances resulted from a new copier lease that is a capital lease so includes principal and interest payments but it was budgeted as an operating lease without an allocation of the payments to principal and interest. Significant budget amendments affected the following areas:

- An amendment for \$375,000 provided for a one time stipend for all full time employees
- An amendment for \$150,000 to cover HVAC issues
- Other amendments reallocated amounts of function 11 instruction to functions 34 student transportation, 41 general administration, 51 plant maintenance and operations and 53 data processing services as specific needs were identified.

The District's General Fund fund balance of \$5,656,889 differs from the final budgetary fund balance of \$4,828,904 reported in the budgetary comparison statement due to the net effect of favorable and unfavorable variances as explained below:

- Revenues from both state and federal sources were below budget – state by \$427,504 due to the reduced ADA and federal by \$209,499 due to reduced grant awards
- Expenditures were \$1,300,590 less than amounts budgeted due primarily to food service variance of \$247,657 and facilities maintenance and operations variance of \$485,149.
- The District had not budgeted the capital lease other financing source of \$297,202
- Transfers out from the general fund to debt service fund as a result of the TRE were budgeted for \$140,000 but to keep the debt service fund from having a deficit fund balance the transfer out was \$427,716 resulting a negative variance of \$287,716

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had invested \$42,266,126 in a broad range of capital assets, including land, buildings and improvements and equipment.

**Table V
Capital Asset Summary**

	Governmental Activities	
	2018	2017
Land	\$ 2,233,311	\$ 2,233,311
Buildings and improvements	59,031,858	59,031,858
Equipment	7,257,320	6,784,859
Leased property under capital lease, net	284,171	-
Total assets at historical cost	68,806,660	68,050,028
Less accumulated depreciation	(26,540,534)	(24,949,740)
Net capital assets	\$42,266,126	\$43,100,288

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	
	2018	2017
General obligation bonds payable	\$22,355,000	\$23,485,000
Bond issuance premiums	2,175,636	2,418,113
Maintenance tax notes	1,325,000	1,385,000
Maintenance tax notes premium	21,053	23,380
Property finance contract	989,870	1,166,364
Capital lease	280,314	-
Compensated absences	178,871	205,301
Net pension liability	5,921,225	7,119,243
Net OPEB liability	12,206,737	-
Totals	\$45,453,706	\$35,802,401

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.

La Feria Independent School District Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2018-2019 budget preparation is the certified estimate of \$424,782,298.
- Our tax rate will remain the same at \$1.2991 per \$100 of valuation. Our tax levy will increase as a result of the 2.7% increase in taxable values.
- General operating fund spending per student increased in the 2018-2019 budget from \$11,030 to \$11,488.
- The District's 2018-2019 refined average daily attendance is expected to decrease by 100 average daily attendance.

These indicators were taken into account when adopting the general fund budget for 2018-2019.

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, 2018

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 189,387
1120 Current Investments	5,653,555
1220 Property Taxes - Delinquent	923,847
1230 Allowance for Uncollectible Taxes	(27,716)
1240 Due from Other Governments	2,262,233
1260 Internal Balances	814
1290 Other Receivables, Net	213,998
1300 Inventories	56,214
1410 Prepayments	127,735
Capital Assets:	
1510 Land	2,233,311
1520 Buildings, Net	37,391,095
1530 Furniture and Equipment, Net	2,375,309
1550 Leased Property Under Capital Leases, Net	266,410
1000 Total Assets	51,666,192
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	727,853
1705 Deferred Outflow Related to TRS Pension	2,298,478
1706 Deferred Outflow Related to TRS OPEB	187,784
1700 Total Deferred Outflows of Resources	3,214,115
LIABILITIES	
2110 Accounts Payable	476,010
2140 Interest Payable	84,476
2150 Payroll Deductions and Withholdings	487,049
2160 Accrued Wages Payable	624,144
2180 Due to Other Governments	1,226,906
Noncurrent Liabilities:	
2501 Due Within One Year	1,710,369
2502 Due in More Than One Year	25,615,375
2540 Net Pension Liability (District's Share)	5,921,225
2545 Net OPEB Liability (District's Share)	12,206,737
2000 Total Liabilities	48,352,291
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Resource Inflow Related to TRS Pension	1,003,856
2606 Deferred Resource Inflow Related to TRS OPEB	5,106,101
2600 Total Deferred Inflows of Resources	6,109,957
NET POSITION	
3200 Net Investment in Capital Assets	15,847,106
3820 Restricted for Federal and State Programs	201,210
3900 Unrestricted	(15,630,257)
3000 Total Net Position	\$ 418,059

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, 2018

EXHIBIT B-1

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

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 13,590,140	\$ 20,913	\$ (129,164)	\$ (13,698,391)
12 Instructional Resources and Media Services	361,518	-	(59,490)	(421,008)
13 Curriculum and Instructional Staff Development	476,468	-	67,442	(409,026)
21 Instructional Leadership	506,638	-	(109,877)	(616,515)
23 School Leadership	1,657,093	-	(395,708)	(2,052,801)
31 Guidance, Counseling and Evaluation Services	590,917	-	(143,501)	(734,418)
32 Social Work Services	18,314	-	(5,185)	(23,499)
33 Health Services	227,838	-	(48,769)	(276,607)
34 Student (Pupil) Transportation	969,764	-	(138,044)	(1,107,808)
35 Food Services	2,520,375	141,905	2,450,823	72,353
36 Extracurricular Activities	1,599,300	314,361	(169,999)	(1,454,938)
41 General Administration	1,074,891	-	(166,440)	(1,241,331)
51 Facilities Maintenance and Operations	3,939,003	-	(328,614)	(4,267,617)
52 Security and Monitoring Services	48,448	-	(5,801)	(54,249)
53 Data Processing Services	500,796	-	(53,139)	(553,935)
61 Community Services	291,296	-	375,131	83,835
72 Debt Service - Interest on Long-Term Debt	826,626	-	-	(826,626)
73 Debt Service - Bond Issuance Cost and Fees	3,956	-	-	(3,956)
95 Payments to Juvenile Justice Alternative Ed. Prg.	25,592	-	-	(25,592)
99 Other Intergovernmental Charges	62,587	-	-	(62,587)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 29,291,560	\$ 477,179	\$ 1,139,665	(27,674,716)

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		4,601,304
DT	Property Taxes, Levied for Debt Service		505,619
SF	State Aid - Formula Grants		25,292,552
GC	Grants and Contributions not Restricted		1,597,027
IE	Investment Earnings		124,180
MI	Miscellaneous Local and Intermediate Revenue		181,266
TR	Total General Revenues		32,301,948
CN	Change in Net Position		4,627,232
NB	Net Position - Beginning		17,195,253
PA	Prior Period Adjustment		(21,404,426)
NE	Net Position--Ending		\$ 418,059

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

LA FERIA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 59,192	\$ 56,369	\$ 73,826	\$ 189,387
1120 Investments - Current	5,652,550	1,005	-	5,653,555
1220 Property Taxes - Delinquent	801,190	122,657	-	923,847
1230 Allowance for Uncollectible Taxes	(24,036)	(3,680)	-	(27,716)
1240 Due from Other Governments	1,802,853	661	458,719	2,262,233
1260 Due from Other Funds	405,684	68,664	-	474,348
1290 Other Receivables	213,998	-	-	213,998
1300 Inventories	56,214	-	-	56,214
1410 Prepayments	127,735	-	-	127,735
1000 Total Assets	<u>\$ 9,095,380</u>	<u>\$ 245,676</u>	<u>\$ 532,545</u>	<u>\$ 9,873,601</u>
LIABILITIES				
2110 Accounts Payable	\$ 436,122	\$ -	\$ 39,888	\$ 476,010
2150 Payroll Deductions and Withholdings Payable	487,049	-	-	487,049
2160 Accrued Wages Payable	569,295	-	54,849	624,144
2170 Due to Other Funds	68,664	-	404,870	473,534
2180 Due to Other Governments	1,100,207	126,699	-	1,226,906
2000 Total Liabilities	<u>2,661,337</u>	<u>126,699</u>	<u>499,607</u>	<u>3,287,643</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	777,154	118,977	-	896,131
2600 Total Deferred Inflows of Resources	<u>777,154</u>	<u>118,977</u>	<u>-</u>	<u>896,131</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	56,214	-	-	56,214
3430 Prepaid Items	127,735	-	-	127,735
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	201,210	-	-	201,210
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	32,938	32,938
3600 Unassigned Fund Balance	5,271,730	-	-	5,271,730
3000 Total Fund Balances	<u>5,656,889</u>	<u>-</u>	<u>32,938</u>	<u>5,689,827</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 9,095,380</u>	<u>\$ 245,676</u>	<u>\$ 532,545</u>	<u>\$ 9,873,601</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, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	5,689,827
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of these assets was \$68,806,660 and the accumulated depreciation was \$26,540,535.		42,266,125
2 Long-term liabilities including bonds, tax maintenance notes, property finance contract, capital lease and compensated absences are not due and payable in the current period and are not reported as liabilities in the funds.		(27,325,744)
3 Accrued interest payable does not require current financial resources so it is not reported as a liability in the funds.		(84,476)
4 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.		896,131
5 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 \$727,853 from various refundings which are not reported in the funds.		727,853
6 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. The net position related to TRS included a deferred resource outflow in the amount of \$2,298,478, a deferred resource inflow in the amount of \$1,003,856, and a net pension liability in the amount of \$5,921,225. This resulted in a (decrease) in net position.		(4,626,603)
7 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$187,784, a deferred resource inflow in the amount of \$5,106,101, and a net OPEB liability in the amount of \$12,206,737. This resulted in a (decrease) in net position.		(17,125,054)
19 Net Position of Governmental Activities	\$	418,059

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, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 5,135,412	\$ 536,704	\$ 240,025	\$ 5,912,141
5800 State Program Revenues	26,829,536	885,398	142,826	27,857,760
5900 Federal Program Revenues	3,289,706	-	2,791,081	6,080,787
5020 Total Revenues	<u>35,254,654</u>	<u>1,422,102</u>	<u>3,173,932</u>	<u>39,850,688</u>
EXPENDITURES:				
Current:				
0011 Instruction	16,768,836	-	2,502,600	19,271,436
0012 Instructional Resources and Media Services	468,104	-	11,162	479,266
0013 Curriculum and Instructional Staff Development	435,611	-	82,145	517,756
0021 Instructional Leadership	710,123	-	13,741	723,864
0023 School Leadership	2,285,829	-	15,655	2,301,484
0031 Guidance, Counseling and Evaluation Services	860,993	-	11,300	872,293
0032 Social Work Services	26,334	-	21	26,355
0033 Health Services	298,664	-	-	298,664
0034 Student (Pupil) Transportation	1,514,867	-	-	1,514,867
0035 Food Services	2,630,848	-	-	2,630,848
0036 Extracurricular Activities	1,850,752	-	165,100	2,015,852
0041 General Administration	1,374,762	-	-	1,374,762
0051 Facilities Maintenance and Operations	4,331,533	-	-	4,331,533
0052 Security and Monitoring Services	57,821	-	-	57,821
0053 Data Processing Services	602,949	-	8,067	611,016
0061 Community Services	24,769	-	375,131	399,900
Debt Service:				
0071 Principal on Long-Term Debt	253,381	1,130,000	-	1,383,381
0072 Interest on Long-Term Debt	102,275	884,875	-	987,150
0073 Bond Issuance Cost and Fees	-	3,956	-	3,956
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	25,592	-	-	25,592
0099 Other Intergovernmental Charges	62,587	-	-	62,587
6030 Total Expenditures	<u>34,686,630</u>	<u>2,018,831</u>	<u>3,184,922</u>	<u>39,890,383</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>568,024</u>	<u>(596,729)</u>	<u>(10,990)</u>	<u>(39,695)</u>
OTHER FINANCING SOURCES (USES):				
7913 Capital Leases	297,202	-	-	297,202
7915 Transfers In	-	427,716	-	427,716
8911 Transfers Out (Use)	(427,716)	-	-	(427,716)
7080 Total Other Financing Sources (Uses)	<u>(130,514)</u>	<u>427,716</u>	<u>-</u>	<u>297,202</u>
1200 Net Change in Fund Balances	437,510	(169,013)	(10,990)	257,507
0100 Fund Balance - September 1 (Beginning)	<u>5,219,379</u>	<u>169,013</u>	<u>43,928</u>	<u>5,432,320</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 5,656,889</u>	<u>\$ -</u>	<u>\$ 32,938</u>	<u>\$ 5,689,827</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, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	257,507
Capital outlays are reported in the governmental funds as expenditures. In the statement of activities the cost of the assets, \$827,885 is allocated over their useful lives as depreciation expense which totaled \$1,650,259 for the year. Assets were removed from service in the amount of \$11,789.		(834,163)
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.		(22,593)
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 entered into a capital lease in the amount of \$297,202.		(297,202)
Repayment of principal on long-term debt is an expenditure in the funds but is not an expense in the statement of activities.		1,383,382
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.		26,430
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 statements of activities it is accrued. This is the net impact of amortization of premiums, deferred losses and change in accrued interest.		160,523
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$590,609. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$606,319. Finally, the 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 \$310,314. The net result is a (decrease) in the change in net position.		(326,024)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$185,873. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net pension totaling \$145,951. Finally, the 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 \$(4,239,450). The net result is an increase in the change in net position.		4,279,372
Change in Net Position of Governmental Activities	\$	4,627,232

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, 2018

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 61,915
Investments - Current	177,849	-
Restricted Assets	-	2,334,546
Total Assets	<u>177,849</u>	<u>\$ 2,396,461</u>
LIABILITIES		
Due to Other Funds	-	\$ 814
Due to Student Groups	14,700	61,101
Payable from Restricted Assets	-	2,334,546
Total Liabilities	<u>14,700</u>	<u>\$ 2,396,461</u>
NET POSITION		
Restricted for Scholarships	162,494	
Unrestricted Net Position	655	
Total Net Position	<u>\$ 163,149</u>	

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, 2018

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 655
Total Additions	<u>655</u>
Change in Net Position	655
Total Net Position - September 1 (Beginning)	<u>162,494</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 163,149</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

Membership of Board - The Board of Trustees includes seven eligible members elected at large by the qualified voters of the La Feria Independent School District. The governing Board derives its powers from the statutes of the State of Texas and the rules and regulations of the Texas State Department of Education. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by GASB Statement No. 14, *The Financial Reporting Entity*. The District has no component units.

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.

New Accounting Standards Adopted

In the current fiscal year, the District implemented the following new standards. The applicable provisions of these new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB they provide. Statement 75 requires governments in all types to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

GASB Statement No. 85, *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transaction in which cash and other monetary assets acquired with only existing resources – than is, resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the purpose of extinguishing debt. This Statement also amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, this Statement establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. The District has determined that this statement does not impact the District.

La Feria Independent School District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future possible applicable accounting standards to the District that have been issued by the Governmental Accounting Standards Board are:

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 August 31, 2021.

Basis of Presentation

Government-Wide Statements:

The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. All interfund transactions between governmental funds and between governmental funds are eliminated on the government-wide statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities.

Program revenues include fees, fines, and charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

The 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. 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 accounting 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.

La Feria Independent School District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting/Measurement Focus

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 specific 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.

Government-wide and Fiduciary Fund Financial Statements:

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

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 as available if they are collected within the 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 delays by TEA in processing amendments related to this funding. 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 in the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

La Feria Independent School District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting/Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

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. Issuances of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Unearned revenue is reported in the governmental funds when 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.

Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and unearned revenue by the recipient.

Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, investments are considered to be cash equivalents if they are highly liquid with an original maturity within three months or less from the date of original purchase.

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, banker's acceptances and U.S. Treasury and agency obligations that have a remaining maturity at time of purchase of one year or less are reported at amortized cost. Investments in entities (such as investment pools) that calculate Net Asset Value per Share and follow the requirements of GASB Statement No. 79 are also reported at amortized cost. Nonparticipating interest-earning investment contracts are reported using a cost-based measure.

The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. All other investments are reported at fair value.

Receivables and Payables

Interfund activity results from loans, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. 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 presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

All trade and property tax receivables are shown net of an allowance for uncollectible. Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

Delinquent taxes are prorated between the general and debt service funds based on rates adopted for the year of the levy. Allowance for uncollectible tax receivables are based on the historical experience in collecting property taxes.

Accrued liabilities primarily consist of amounts accrued for salaries and related liabilities.

Inventory

In the general fund, inventory is valued at cost, using the weighted-average method, except for food commodities, which are recorded at market value supplied by the Texas Department of Human Services. Commodities are received at no cost to the District; however, their fair market value is recorded as inventory and revenue when received. As the commodities are consumed, inventory is relieved and expenditures are charged.

Other Current Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures when consumed rather than when purchased.

La Feria Independent School District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, and equipment assets are reported in the governmental column in the government-wide financial statements. The District does not have any public domain (“infrastructure”) capital assets. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of two years or more.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their acquisition 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.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building and improvements	10-50
Vehicles/buses	8
Furniture and equipment	5-20

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.

Deferred Outflows of Resources and Deferred Inflows of Resources/Other Assets and Liabilities

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

A deferred outflows of resources is a consumption of a government’s net position by the government that is applicable to a future reporting period. The District has three 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 refunding debt and its acquisition price. This amount is 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 outflows result from pension plan contributions made after the measurement date of the net pension liability and the results 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the District’s proportional share of pension liabilities. 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 remaining 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.

La Feria Independent School District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources/Other Assets and Liabilities (Continued)

Deferred outflows of resources for other post-employment benefits (OPEB) – Reported in the government wide statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on pension plan investments and 2) changes in the District’s proportional share of pension liabilities.

The deferred outflows of resources related to other post-employment benefits resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from difference between projected and actual earning on OPEB plan investments will be amortized over a closed five year period. The remaining deferred outflows will be amortized over the expected service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the OPEB plan.

A *deferred inflow* of resources is an acquisition of a government’s net position (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 three 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 statements of net position, these deferred inflows result primarily from 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District’s proportional share of pension liabilities. The deferred inflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred inflows 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.

Deferred inflows of resources for OPEB – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan.

La Feria Independent School District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

GASB Statement No. 72 requires the District to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

There are three general valuation techniques that may be used to measure fair value. The market approach uses prices generated by market transactions involving identical or comparable assets or liabilities. The cost approach uses the amount that currently would be required to replace the service capacity of an asset (replacement cost). The income approach uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Compensated Absences

The District's policy allows employees with at least fifteen years of service with the District to accumulate unused sick 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.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are recorded and are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond and tax notes issuance costs incurred in the issuance of bonds, are expensed in the current period.

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

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) plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net 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)

Other Post-Employment Benefits

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

Government-wide Net Position

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

Net Investment in Capital Assets - The component of net position that represents capital assets less both the accumulated depreciation and the outstanding balance of debt.

Restricted for State and Federal 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.

Unrestricted Net Position - The difference between the assets, deferred inflows of resources and liabilities that are not reported in net position net 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 and unrestricted resources. In order to calculate the amount to report as restricted – net position and unrestricted net position in the government-wide 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.

La Feria Independent School District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

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

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

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

- *Restricted fund balance* – the component of spendable fund balance constrained to a specific purpose by a provider, such as a creditor, grantor, contributor or law or regulation of other governments.
- *Committed fund balance* –the component of spendable fund balance constrained to a specific purpose by Board. A Board resolution is required to establish a fund balance commitment. Only the action that constitutes the most binding constraint of the Board can be considered a commitment for fund balance classification purposes.
- *Assigned fund balance* – the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Superintendent. Board policy CE (Local) was amended in August 2011 by the Board of Trustees to provide the Superintendent with this authorization.
- *Unassigned fund balance* 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 Texas Education Agency (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. TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

Subsequent Events

Management has evaluated subsequent events through January 24, 2019, the date the financial statements were available to be issued.

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 was exposed to custodial credit risk for its deposits except for the period March 23 through March 25 and again on July 24 when the combination of the FDIC insurance and the collateral pledged was less than the total funds on deposit at the bank.

At August 31, 2018, the carrying value of the District's deposits (other than the temporary investments listed below) was \$274,902 and the bank balance was \$773,397. The District's cash deposits at August 31, 2018, 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 other than for the period of March 23 through 25 and July 24 specified above.

La Feria Independent School District Notes to Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Investments

As of August 31, 2018, 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, 2018, are shown below:

	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
Investments			
Lone Star	\$7,964,501	97.8%	20
Certificates of deposit	<u>177,849</u>	<u>2.2</u>	N/A
	<u>\$8,142,350</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, 2018, 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, 2018, restricted assets of the Agency Fund include \$23,600 of cash and \$2,310,946 of 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, 2018, with the Statement of Net Position:

Deposits	\$ 264,631
Petty cash	<u>10,271</u>
Total cash	274,902
Certificates of deposit	177,849
Investments	<u>7,964,501</u>
Total investments	<u>8,142,350</u>
Total for all funds- cash and investments	<u>8,417,252</u>
Less: Statement of Fiduciary Net Position	
Cash and cash equivalents	61,915
Investments	177,849
Restricted assets- cash	23,600
Restricted assets- investments	<u>2,310,946</u>
	<u>2,574,310</u>
Statement of Net Position	<u>\$5,842,942</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 2017 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, 2018 outstanding taxes in the general fund and debt service fund were \$801,190 and \$122,657 with a corresponding allowance for doubtful accounts of \$24,036 and \$3,680, 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, 2018 are as follows:

<u>General Fund</u>	<u>Due From</u>	<u>Due to</u>
Texas Education Agency:		
Foundation Revenues	\$1,246,811	\$1,100,207
Food Service Program – Breakfast and Lunch	64,309	-
Other governmental entities		
SHARS	452,540	-
Cameron County Tax Office	5,987	-
Ninos	2,454	-
Indirect cots on federal programs	30,752	-
 <u>Debt Service Fund</u>		
Texas Education Agency:		
Instructional Facility Allotment	-	126,699
Cameron County Tax Office	661	-
 <u>Other Governmental Funds</u>		
Texas Education Agency:		
ESEA, Title I Part A Improving Basic Program	243,505	-
ESEA, Title I Part C Migratory Children	65,428	-
IDEA – Part B, Formula	87,527	-
Supporting Effective Instruction State Grants	16,522	-
English Language Acquisition State Grants	15,735	-
Student Support and Academic Enrichment Program	9,234	-
Hurricane Education Recovery	18,454	-
Undergraduate Programs	1,453	-
Teacher and School Leader Incentive Grants	861	-
	<u>\$2,262,233</u>	<u>\$1,226,906</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, 2018 were:

<u>Due From</u>	<u>Due To</u>	
Title I Grants to Local Educational Agencies	General Fund	\$195,570
Migrant Education State Grant Program	General Fund	66,427
Special Education Grants to States	General Fund	85,133
Supporting Effective Instructional State Grants	General Fund	12,002
English Language Acquisition State Grants	General Fund	15,736
Undergraduate Programs	General Fund	1,453
Teacher and School Leader Incentive Grants	General Fund	861
Student Support and Academic Enrichment Program	General Fund	9,234
Hurricane Education Recovery	General Fund	18,454
General Fund	Debt Service Fund	<u>68,664</u>
	Total Governmental Funds	473,534
Fiduciary Fund – Student Activity & UIL	General Fund	<u>814</u>
	 Total	 <u>\$474,348</u>

The balances result from a routine lag between the dates that transactions such as year-end payroll accruals and other year-end accruals are recorded in the accounting system and payments between funds are made. All amounts are scheduled to be repaid within one year.

<u>Transfer Out</u>	<u>Transfer In</u>	
General Fund	Debt Service Fund	<u>\$427,716</u>

The transfer out from the general fund to the debt service was necessary as a result of the TRE election in prior years that shifted tax rate from debt service to maintenance and operations. During the current school year the excess tax collections for debt service were depleted so funding from TEA’s instructional facilities allotment were reduced. The resulting shortfall in revenues required a transfer from the general fund and the amount required was more than the amount originally estimated and budgeted.

La Feria Independent School District
Notes to Financial Statements

NOTE 7: DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2018, 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>
Governmental Funds:					
General Fund	\$777,154	\$1,802,853	\$405,684	\$213,997	\$3,199,688
Debt Service Fund	118,977	661	68,664	-	188,302
Nonmajor Governmental Funds	-	458,719	-	-	458,719
Total Governmental Funds	<u>\$896,131</u>	<u>\$2,262,233</u>	<u>\$474,348</u>	<u>\$213,997</u>	<u>\$3,846,709</u>
Amounts not scheduled for collection during the subsequent year	<u>\$672,098</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 672,098</u>

Payables at August 31, 2018, 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>
Governmental Funds:						
General Fund	\$ 436,122	\$1,710,369	\$1,056,344	\$ 68,664	\$1,100,207	\$4,371,706
Debt Service Fund	-	-	-	-	126,699	126,699
Nonmajor Governmental Funds	<u>39,888</u>	-	54,849	<u>404,870</u>	-	<u>499,607</u>
Total Governmental Funds	<u>\$476,010</u>	<u>\$1,710,369</u>	<u>\$1,111,193</u>	<u>\$473,534</u>	<u>\$1,226,906</u>	<u>\$4,998,012</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 8: CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	\$ 2,233,311	\$ -	\$ -	\$ 2,233,311
Buildings and improvements	59,031,858	-	-	59,031,858
Furniture and equipment	6,784,859	543,714	(71,253)	7,257,320
Leased property under capital lease	-	<u>284,171</u>	-	<u>284,171</u>
Totals at historic cost	68,050,028	827,885	(71,253)	68,806,660
Less accumulated depreciation for:				
Buildings and improvements	(20,450,103)	(1,190,660)	-	(21,640,763)
Furniture and equipment	(4,499,637)	(441,839)	59,464	(4,882,012)
Leased property under capital lease	-	<u>(17,760)</u>	-	<u>(17,760)</u>
Total accumulated depreciation	<u>(24,949,740)</u>	<u>(1,650,259)</u>	<u>59,464</u>	<u>(26,540,535)</u>
Governmental activities capital assets, net	<u>\$43,100,288</u>	<u>\$ (822,374)</u>	<u>\$ (11,789)</u>	<u>\$42,266,125</u>

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

NOTE 8: CAPITAL ASSETS (Continued)

Depreciation was charged to the following functions:

Government Activities:

11 – Instruction	\$ 814,787
12 – Instructional Resources and Media Services	19,138
13 – Curriculum and Instructional Staff Development	1,225
21 – Instructional Leadership	11,025
23 – School Leadership	98,262
31 – Guidance, Counseling and Evaluation Services	25,909
32 – Social Work Services	1,466
33 – Health Services	21,027
34 – Student (Pupil) Transportation	214,903
35 – Food Services	170,551
36 – Cocurricular/Extracurricular Activities	8,290
41 – General Administration	15,925
51 – Plant Maintenance and Operations	221,963
52 – Security and Monitoring Services	1,225
53 – Data Processing Services	8,575
61 – Community Services	<u>15,988</u>
Total depreciation expense	<u>\$1,650,259</u>

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, 2018 are as follows:

	Beginning Balance <u>9/01/17</u>	<u>Increase</u>	<u>Decrease</u>	Ending Balance <u>8/31/18</u>	Due Within <u>One Year</u>
Governmental Activities:					
Unlimited Tax School Building Bonds - Series 2008	\$ 305,000	\$ -	\$ 305,000	\$ -	\$ -
Unlimited Tax School Refunding Bonds - Series 2014A	2,940,000	-	525,000	2,415,000	545,000
Unlimited Tax School Refunding Bonds - Series 2014B	3,440,000	-	30,000	3,410,000	30,000
Unlimited Tax School Refunding Bonds - Series 2015	5,095,000	-	25,000	5,070,000	20,000
Unlimited Tax School Refunding Bonds - Series 2016	8,055,000	-	245,000	7,810,000	250,000
Unlimited Tax School Refunding Bonds - Series 2017	<u>3,650,000</u>	<u>-</u>	<u>-</u>	<u>3,650,000</u>	<u>240,000</u>
Total general obligation bonds	23,485,000	-	1,130,000	22,355,000	1,085,000
Premium on issuance of bonds	<u>2,418,113</u>	<u>-</u>	<u>242,477</u>	<u>2,175,636</u>	<u>227,105</u>
Subtotal on bonds	25,903,113	-	1,372,477	24,530,636	1,312,105
Maintenance tax notes	1,385,000	-	60,000	1,325,000	60,000
Premium on maintenance tax notes	23,380	-	2,327	21,053	2,249
Property finance contract	1,166,364	-	176,494	989,870	183,404
Capital lease	-	297,202	16,888	280,314	69,699
Compensated absences	205,301	638	27,068	178,871	82,912
Net pension liability	7,119,243	(591,089)	606,929	5,921,225	-
Net OPEB liability	<u>21,550,377</u>	<u>(9,197,702)</u>	<u>145,938</u>	<u>12,206,737</u>	<u>-</u>
	<u>\$57,352,778</u>	<u>\$(9,490,951)</u>	<u>\$2,408,121</u>	<u>\$45,453,706</u>	<u>\$1,710,369</u>

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

NOTE 9: LONG-TERM LIABILITIES (Continued)

General Obligation Bonds

General Obligation Bonds:

Bonds payable at August 31, 2018 are comprised of the following individual issues:

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.	\$ 2,415,000
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.	3,410,000
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.	5,070,000
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.	7,810,000
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.	<u>3,650,000</u>
	<u>\$22,355,000</u>

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.

The District leased new copiers late in 2018 which resulted in a capital lease obligation of \$297,202 with interest of 5% and final payment due in 2022. The net book value of the capital lease as of August 31, 2018 amounted to \$266,411.

La Feria Independent School District
Notes to Financial Statements

NOTE 9: LONG-TERM LIABILITIES (Continued)

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, 2018, the following outstanding bonds are considered defeased:

<u>Series</u>	<u>Ending Balance</u>
1997 Building	\$ 1,930,000
2005 Refunding	2,585,000
2005 Building	8,785,000
2006 Refunding	3,115,000
2008 Building	10,770,000
<u>Public Facilities Corporation</u>	
1999	585,000
2001	1,510,000
2002	565,000

Debt service requirements on long-term debt at August 31, 2018 are as follows:

<u>Year Ending</u> <u>August 31,</u>	<u>General Obligation Bonds</u>		<u>Other Long-term Debt</u>		<u>Total Requirements</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,085,000	\$ 845,250	\$ 312,103	\$ 100,106	\$ 1,397,103	\$ 945,356
2020	1,120,000	812,175	328,681	87,578	1,448,681	899,753
2021	1,155,000	775,337	339,711	74,372	1,494,711	849,709
2022	1,190,000	733,000	335,590	60,697	1,525,590	793,697
2023	990,000	691,075	283,100	49,074	1,273,100	740,149
2024-2028	5,020,000	2,860,225	400,000	160,815	5,420,000	3,021,040
2029-2033	5,635,000	1,813,500	485,000	75,361	6,120,000	1,888,861
2034-2038	<u>6,160,000</u>	<u>580,800</u>	<u>110,000</u>	<u>2,350</u>	<u>6,270,000</u>	<u>583,150</u>
Total	<u>\$22,355,000</u>	<u>\$ 9,111,362</u>	<u>\$2,594,185</u>	<u>\$ 610,353</u>	<u>\$24,949,185</u>	<u>\$9,721,715</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, 2018.

NOTE 10: REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the year ended August 31, 2018, revenues from local and intermediate sources consisted of the following:

	<u>General</u> <u>Fund</u>	<u>Debt</u> <u>Service</u>	<u>Other</u> <u>Funds</u>	<u>Total</u>
Property taxes	\$4,616,791	\$512,726	\$ -	\$5,129,517
Penalties, interest and other	157,416	20,431	-	177,847
Investment income	120,633	3,547	-	124,180
Food sales	141,905	-	-	141,905
Co-curricular student activities	73,438	-	240,025	313,463
Other	<u>25,229</u>	<u>-</u>	<u>-</u>	<u>25,229</u>
	<u>\$5,135,412</u>	<u>\$536,704</u>	<u>\$240,025</u>	<u>\$5,912,141</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, 2018 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	\$ 727,853	\$ -	\$ -
Deferred outflow related to TRS Pension	2,298,478	-	-
Deferred outflow related to TRS OPEB	<u>187,784</u>	-	-
Total deferred outflows of resources	<u>\$3,214,115</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred inflows of resources:			
Deferred inflow related to TRS Pension	\$1,003,856	\$ -	\$ -
Deferred inflow related to TRS OPEB	5,106,101	-	-
Unavailable property taxes	<u>-</u>	<u>777,154</u>	<u>118,977</u>
Total deferred inflows of resources	<u>\$6,109,957</u>	<u>\$777,154</u>	<u>\$118,977</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, 2018, from various federal sources as follows:

<u>Programs or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
School Breakfast Program	10.553	\$ 746,953
National School Lunch Program - Cash Assistance	10.555	1,504,841
National School Lunch Program – Non-cash Assistance	10.555	193,022
Child and Adult Care Food Program	10.558	147,710
Indirect costs earned –		
Title I Grants to Local Education Agency	84.010	21,753
Migrant Education State Grant Program	84.011	4,231
Supporting Effective Instruction State Grants	84.367	3,161
English Language Acquisition Grants	84.367	947
Student Support and Academic Enrichment Program	84.424	660
Medicaid Administrative Claiming Program	93.778	11,338
SHARS	-	<u>655,090</u>
		<u>\$3,289,706</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, 2018 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

0071 and 0072

Principal and Interest on Long-term Debt

The District entered into a copier lease in June 2018 which did not require a budget amendment for the new monthly rent. Upon review of the lease terms, it was determined that the lease was a capital lease so adjustments were posted to reflect the principal and interest paid which resulted in negative variances in the general fund for both principal on long-term debt and interest on long-term debt.

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 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2017</u>
Member	7.7%	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	\$ 590,609
Current fiscal year member contributions	\$1,681,514
2017 measurement year NECE on-behalf contributions	\$1,211,248

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.

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, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
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, 2017 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, 2017**

	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>	<u>Expected Contribution to Long-term Portfolio Returns¹</u>
Global Equity			
U. S.	18%	4.6%	1.0%
Non – U. S. developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U. S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global 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%
Risk Parity			
Risk Parity	<u>5%</u>	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			<u>1.0%</u>
Total	100%		8.7%

¹ 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 <u>(7.0%)</u>	Discount Rate <u>(8.0%)</u>	1% Increase in Discount Rate <u>(9.0%)</u>
District's proportionate share of the net pension liability	<u>\$9,982,015</u>	<u>\$5,921,225</u>	<u>\$2,539,958</u>

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

At August 31, 2018, the District reported a liability of \$5,921,225 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	\$ 5,921,225
State's proportionate share that is associated with the District	<u>11,841,829</u>
Total	<u>\$17,763,054</u>

The net pension liability was measured as of August 31, 2017 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, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was .0185185195% which was a decrease of .0003211816% from its proportion measured as of August 31, 2016.

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, 2018, the District recognized pension expense of \$1,819,881 and revenue of \$903,248 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, 2018, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 86,630	\$ 319,324
Changes in actuarial assumptions	269,721	154,409
Difference between projected and actual investment earnings	-	431,526
Changes in proportion and difference between the employer’s, contributions and the proportionate share of contributions	<u>1,351,518</u>	<u>98,597</u>
Total net amounts per August 31, 2017 measurement date	1,707,869	1,003,856
Contributions paid to TRS subsequent to the measurement date	<u>590,609</u>	<u>-</u>
Total as of fiscal year-end	<u>\$2,298,478</u>	<u>\$1,003,856</u>

The \$590,609 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, 2019. 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>
2019	\$129,128
2020	507,095
2021	100,088
2022	(19,848)
2023	5,884
Thereafter	(18,334)

La Feria Independent School District Notes to Financial Statements

NOTE 16: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

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

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A & B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates

	<u>TRS Care-1 Basic Plan</u>	<u>TRS Care-2 Optional Plan</u>	<u>TRS Care-3 Optional Plan</u>
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

*or surviving spouse

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

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

NOTE 16: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Texas Insurance Code, Section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
District’s 2018 FY Employer Contributions		\$185,873
District’s 2018 FY Member Contributions		\$141,946
2017 Measurement Year NECE On-Behalf Contributions		\$199,532

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

Actuarial Assumptions. The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

La Feria Independent School District Notes to Financial Statements

NOTE 16: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50-9.50%
Healthcare Trend Rates	4.50%-12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65.
Ad-hoc Post Employment Benefit Changes	None

**Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.*

*** Includes inflation at 2.50%*

****Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.*

Other Information. There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

Discount Rate. A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity index's "20-year Municipal GO AA Index" as of August 31, 2017.

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

NOTE 16: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate <u>(2.42%)</u>	Discount Rate <u>(3.42%)</u>	1% Increase in Discount Rate <u>(4.42%)</u>
District's proportionate share of the Net OPEB Liability	\$14,406,980	\$12,206,737	\$10,438,238

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

	1% Decrease <u>(3.5 – 11%)</u>	Current Healthcare Cost Trend Rate <u>(4.5 – 12%)</u>	1% Increase <u>(5.5 – 13%)</u>
District's proportionate share of the Net OPEB Liability	\$10,163,328	\$12,206,737	\$14,887,947

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, the District reported a liability of \$12,206,737 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective net OPEB liability	\$12,206,737
State's proportionate share that is associated with the District	<u>16,689,527</u>
	<u>\$28,896,264</u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

La Feria Independent School District Notes to Financial Statements

NOTE 16: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was .0280703378%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2016 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period.

The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.

The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

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

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

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

La Feria Independent School District
Notes to Financial Statements

NOTE 16: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

For the year ended August 31, 2018, the District recognized OPEB expense of \$(9,678,258) and revenue of \$(5,584,759) for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ -	\$ 254,825
Changes in actuarial assumptions	-	4,851,276
Differences between projected and actual investment earnings	1,854	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>57</u>	<u>-</u>
Total as of August 31, 2017 measurement date	1,911	5,106,101
Contributions paid to TRS subsequent to the measurement date	<u>185,873</u>	<u>-</u>
Total as of fiscal year end	<u>\$187,784</u>	<u>\$5,106,101</u>

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

	OPEB Expense Amount
Fiscal Year ended August 31,	
2019	\$ (673,503)
2020	(673,503)
2021	(673,503)
2022	(673,503)
2023	(673,967)
Thereafter	(1,736,211)

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

NOTE 17: MEDICARE PART D

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 2018-2016.

<u>Fiscal Year</u>	<u>Medicare Part D</u>
2018	\$ 69,580
2017	70,094
2016	88,513

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 revenue and payroll expenditures.

NOTE 18: 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 2019 school year remains at \$346.

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, 2018:

Nonspendable: The District has inventories of \$56,214 and prepayments of \$127,735.

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– 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>Other Governmental Funds</u>		<u>Total</u> <u>Governmental</u> <u>Funds</u>
		<u>Debt Service</u>	<u>Other Funds</u>	
Fund balances:				
Nonspendable:				
Inventories:				
Food service	\$ 56,214	\$ -	\$ -	\$ 56,214
Prepayments:				
General fund	127,735	-	-	127,735
Restricted:				
Food service	201,210	-	-	201,210
Committed:				
Campus activity funds	-	-	32,938	32,938
Unassigned:	<u>5,271,730</u>	<u>-</u>	<u>-</u>	<u>5,271,730</u>
	<u>\$5,656,889</u>	<u>\$ -</u>	<u>\$ 32,938</u>	<u>\$5,689,827</u>

La Feria Independent School District Notes to Financial Statements

NOTE 20: OPERATING GRANTS AND CONTRIBUTIONS – STATEMENT OF ACTIVITIES

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS—retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASBs 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in significantly reduced revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting.

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On- Behalf Accruals	Operating Grants and Contributions (excluding on-behalf accruals)
11 – Instruction	\$ (129,164)	\$(3,264,505)	\$3,135,341
12 – Instructional Resources and Media Services	(59,490)	(75,491)	16,001
13 – Curriculum and Instructional Staff Development	67,442	(18,658)	86,100
21 – Instructional Leadership	(109,877)	(156,868)	46,991
23 – School Leadership	(395,708)	(498,515)	102,807
31 – Guidance, Counseling and Evaluation Services	(143,501)	(200,193)	56,692
32 – Social Work Services	(5,185)	(6,606)	1,421
33 – Health Services	(48,769)	(61,886)	13,117
34 – Student (Pupil) Transportation	(138,044)	(175,173)	37,129
35 – Food Services	2,450,823	(197,897)	2,648,720
36 – Cocurricular/Extracurricular	(169,999)	(215,724)	45,725
41 – General Administration	(166,440)	(211,208)	44,768
51 – Plant Maintenance and Operations	(328,614)	(417,002)	88,388
52 – Security and Monitoring Services	(5,801)	(7,363)	1,562
53 – Data Processing Services	(53,139)	(77,670)	24,531
61 – Community Services	<u>375,131</u>	<u>-</u>	<u>375,131</u>
	<u>\$1,139,665</u>	<u>\$(5,584,759)</u>	<u>\$6,724,424</u>

NOTE 21: PRIOR PERIOD ADJUSTMENT

During fiscal year 2018, the District adopted GASB Statement No. 75 for *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled \$(21,404,426) which resulted in a restated beginning net position balance of \$(4,209,173).

**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, 2018

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	\$ 4,980,500	\$ 4,980,500	\$ 5,135,412	\$ 154,912
5800	State Program Revenues	27,257,040	27,257,040	26,829,536	(427,504)
5900	Federal Program Revenues	3,499,205	3,499,205	3,289,706	(209,499)
5020	Total Revenues	35,736,745	35,736,745	35,254,654	(482,091)
EXPENDITURES:					
Current:					
0011	Instruction	17,909,387	16,768,887	16,768,836	51
0012	Instructional Resources and Media Services	483,594	487,344	468,104	19,240
0013	Curriculum and Instructional Staff Development	457,620	459,120	435,611	23,509
0021	Instructional Leadership	712,150	716,650	710,123	6,527
0023	School Leadership	2,131,850	2,286,100	2,285,829	271
0031	Guidance, Counseling and Evaluation Services	793,066	879,816	860,993	18,823
0032	Social Work Services	84,150	84,150	26,334	57,816
0033	Health Services	445,100	448,100	298,664	149,436
0034	Student (Pupil) Transportation	1,305,202	1,630,312	1,514,867	115,445
0035	Food Services	2,849,005	2,878,505	2,630,848	247,657
0036	Extracurricular Activities	1,888,806	1,929,556	1,850,752	78,804
0041	General Administration	1,144,625	1,382,875	1,374,762	8,113
0051	Facilities Maintenance and Operations	4,401,542	4,816,682	4,331,533	485,149
0052	Security and Monitoring Services	51,600	71,600	57,821	13,779
0053	Data Processing Services	488,900	673,400	602,949	70,451
0061	Community Services	16,500	34,500	24,769	9,731
Debt Service:					
0071	Principal on Long-Term Debt	236,651	236,651	253,381	(16,730)
0072	Interest on Long-Term Debt	99,972	99,972	102,275	(2,303)
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	25,000	35,000	25,592	9,408
0099	Other Intergovernmental Charges	58,000	68,000	62,587	5,413
6030	Total Expenditures	35,582,720	35,987,220	34,686,630	1,300,590
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	154,025	(250,475)	568,024	818,499
OTHER FINANCING SOURCES (USES):					
7913	Capital Leases	-	-	297,202	297,202
8911	Transfers Out (Use)	(140,000)	(140,000)	(427,716)	(287,716)
7080	Total Other Financing Sources (Uses)	(140,000)	(140,000)	(130,514)	9,486
1200	Net Change in Fund Balances	14,025	(390,475)	437,510	827,985
0100	Fund Balance - September 1 (Beginning)	5,219,379	5,219,379	5,219,379	-
3000	Fund Balance - August 31 (Ending)	\$ 5,233,404	\$ 4,828,904	\$ 5,656,889	\$ 827,985

LA FERIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

	Measurement Year Ended August 31,			
	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0185185195%	0.0188397011%	0.0193039000%	0.0112716000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 5,921,225	\$ 7,119,243	\$ 6,823,672	\$ 3,010,800
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	11,841,829	14,416,244	13,900,128	11,676,975
Total	<u>\$ 17,763,054</u>	<u>\$ 21,535,487</u>	<u>\$ 20,723,800</u>	<u>\$ 14,687,775</u>
District's Covered Payroll	\$ 22,240,488	\$ 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 Payroll	26.62%	32.47%	32.21%	14.82%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

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

LA FERIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2018

	Fiscal Year Ended August 31,			
	2018	2017	2016	2015
Contractually Required Contribution	\$ 590,609	\$ 606,319	\$ 598,585	\$ 571,598
Contribution in Relation to the Contractually Required Contribution	<u>(590,609)</u>	<u>(606,319)</u>	<u>(598,585)</u>	<u>(576,173)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,575)</u>
District's Covered Payroll	\$ 21,838,136	\$ 22,240,488	\$ 21,926,324	\$ 21,183,150
Contributions as a percentage of Covered Payroll	2.70%	2.73%	2.73%	2.70%

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

LA FERIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2018

	Measurement Year Ended August 31, 2017
District's Proportion of the Net OPEB Liability (Asset)	0.0280703378%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 12,206,737
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	16,689,527
Total	\$ 28,896,264
District's Covered Payroll	\$ 22,240,488
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	54.89%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.91%

Note: Only one year of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years 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 THE DISTRICT'S OPEB CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2018

	Fiscal Year Ended August 31, 2018
Contractually Required Contribution	\$ 185,873
Contribution in Relation to the Contractually Required Contribution	(185,873)
Contribution Deficiency (Excess)	\$ -
District's Covered Payroll	\$ 21,838,136
Contributions as a percentage of Covered Payroll	0.85%

Note: Only one year of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years 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 District is legally required to adopt budgets for the General Fund, Debt Service Fund, Capital Projects Fund, and Child Nutrition. Each budget is presented and accounted for on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The District is not legally required to adopt Special Revenue Fund budgets.

The District follows these procedures preparing and approving its annual budget:

1. The superintendent or his designate prepares a budget covering all estimated revenues and proposed expenditures of the District for the next succeeding fiscal year. The budget is prepared by generic fund type and function.
2. Ten days after public notice of the meeting has been given, a public hearing is held, allowing the public to comment on the proposed budget.
3. A public meeting of the Board of Trustees is called for the purpose of adopting the budget. The State Board of Education requires that the budget be prepared no later than August 31st of each year.
4. The legal level of budgetary control is at the function level within each generic fund type. Budget amounts are as originally adopted, or as amended by the Board on August 28, 2017. Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board of Trustees. Changes can be made to the budget at any detail within the function level without an amendment approved by the Board. During the year, several budget amendments were made with Board approval. The most significant amendments were for a one time stipend for all full time employees and year-end adjustments to revise estimates of expenditures based on the latest information on operating costs. All budget appropriations lapse at year-end.
5. Over the course of the year, the District amended the budget six times. Total expenditures were less than the final approved budget by \$1,300,590; however there were negative variances for debt service. During June 2018, the District entered into a new copier lease for which did not require a budget amendment based upon the monthly lease payments. Upon review of the lease document, it was determined that the lease was a capital lease so adjustments were posted to reflect the principal and interest paid which resulted in a variance of \$16,730 for function 71 – Principal on Long-term Debt and a variance of \$2,303 for function 72 – Interest on Long-term Debt.

La Feria Independent School District Notes to Required Supplementary Information

II. Notes to Required Supplementary Information – Pension

Effective September 1, 2014, employers who did not contribute Social Security for TRS – eligible employees were required to contribute an additional 1.5% of TRS – eligible compensation which nearly doubled the District’s contributions into the Plan. Because the District’s proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability.

Changes in Assumptions

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

Changes of Benefit Terms

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

III. Notes to Required Supplementary Information – OPEB

Changes Since the Prior Actuarial Valuation

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

There was a significant plan change adopted in fiscal year ending August 31, 2017:

- Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates. This change in plan benefits significantly lowered the OPEB liability and had an immediate effect on the OPEB expenses recognized by participating entities.
- The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
- The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

TEXAS EDUCATION AGENCY

REQUIRED SCHEDULES

LA FERIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2018

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.040000	0.296000	328,621,783
2011	1.040000	0.296000	331,039,817
2012	1.040000	0.296000	331,172,840
2013	1.040000	0.296000	335,392,755
2014	1.170000	0.129100	376,670,030
2015	1.170000	0.129100	347,382,936
2016	1.170000	0.129100	348,274,281
2017	1.170000	0.129100	337,980,359
2018 (School year under audit)	1.170000	0.129100	384,577,869
1000 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
\$ 194,721	\$ -	\$ 11,929	\$ 2,338	\$ (13,082)	\$ 167,372
34,614	-	2,801	797	(611)	30,405
42,408	-	2,605	741	(611)	38,451
48,549	-	2,450	697	(612)	44,790
58,856	-	6,517	1,629	(594)	50,116
72,979	-	11,920	1,315	(903)	58,841
79,183	-	20,480	2,260	(1,024)	55,419
126,087	-	42,620	4,703	90	78,854
289,742	-	135,868	14,992	(16,405)	122,477
-	5,273,946	4,468,030	493,011	(35,783)	277,122
<u>\$ 947,139</u>	<u>\$ 5,273,946</u>	<u>\$ 4,705,220</u>	<u>\$ 522,483</u>	<u>\$ (69,535)</u>	<u>\$ 923,847</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, 2018

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	\$ 150,500	\$ 150,500	\$ 146,451	\$ (4,049)
5800	State Program Revenues	18,000	18,000	67,694	49,694
5900	Federal Program Revenues	2,929,205	2,929,205	2,592,526	(336,679)
5020	Total Revenues	3,097,705	3,097,705	2,806,671	(291,034)
EXPENDITURES:					
0035	Food Services	2,849,005	2,878,505	2,630,848	247,657
0051	Facilities Maintenance and Operations	248,700	248,700	124,382	124,318
Debt Service:					
0071	Principal on Long-Term Debt	-	-	308	(308)
0072	Interest on Long-Term Debt	-	-	66	(66)
6030	Total Expenditures	3,097,705	3,127,205	2,755,604	371,601
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(29,500)	51,067	80,567
OTHER FINANCING SOURCES (USES):					
7913	Capital Leases	-	-	6,580	6,580
1200	Net Change in Fund Balances	-	(29,500)	57,647	87,147
0100	Fund Balance - September 1 (Beginning)	199,778	199,778	199,778	-
3000	Fund Balance - August 31 (Ending)	\$ 199,778	\$ 170,278	\$ 257,425	\$ 87,147

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, 2018

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	\$ 619,086	\$ 641,086	\$ 536,704	\$ (104,382)
5800	State Program Revenues	1,340,914	1,340,914	885,398	(455,516)
5020	Total Revenues	1,960,000	1,982,000	1,422,102	(559,898)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	1,186,400	1,186,400	1,130,000	56,400
0072	Interest on Long-Term Debt	909,000	909,000	884,875	24,125
0073	Bond Issuance Cost and Fees	4,600	4,600	3,956	644
6030	Total Expenditures	2,100,000	2,100,000	2,018,831	81,169
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(140,000)	(118,000)	(596,729)	(478,729)
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	140,000	140,000	427,716	287,716
1200	Net Change in Fund Balances	-	22,000	(169,013)	(191,013)
0100	Fund Balance - September 1 (Beginning)	169,013	169,013	169,013	-
3000	Fund Balance - August 31 (Ending)	\$ 169,013	\$ 191,013	\$ -	\$ (191,013)

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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 La Feria Independent School District, as of and for the year ended August 31, 2018, 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 24, 2019.

Internal Control over Financial Reporting

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

Harlingen, Texas
January 24, 2019

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**INDEPENDENT AUDITOR’S 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, 2018. 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, 2018.

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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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a significant deficiency.

La Feria Independent School District's response to the internal control over compliance 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 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.

Carr, Riggs & Ingram, L.L.C.

Harlingen, Texas
January 24, 2019

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LA FERIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2018

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>
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education 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, 2018

**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

B. Compliance 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, 2018

Section III – Findings Relating to the Internal Control Over Major Programs

Reference Number 2018-001 Excess Cost- IDEA, Part B
CFDA 84.027 Special Education Cluster- Special Education Grants to States
Pass through Identifying number: 186600010319056000, Federal Award Year 2018
Federal Agency: U S Department of Education; Passed through the State Department of Education

Criteria:	Local Education Agencies may only use Federal funds under IDEA, Part B for the excess cost of providing special education and related services to children with disabilities in accordance with 34 CFR 300.16. In addition, non-federal entities are required to establish and maintain effective internal controls over compliance in accordance with 2 CFR 200.303.
Condition Found:	The District did not perform the calculation for excess cost or monitor the District's compliance with this compliance requirement throughout the fiscal year.
Context:	Lack of internal control designed to ensure the District has spent the minimum amount required before using IDEA Part B funds providing special education and related services to children with disabilities.
Effect:	The District did not expend the minimum amount required before using IDEA Part B funds.
Cause:	The District did not have an adequate understanding of the Federal requirement of excess cost for IDEA, Part B funds.
Questioned Cost:	\$848
Recommendation:	Management should implement a process that includes a calculation of excess cost based on previous year expenditures and should monitor this calculation throughout the fiscal year to ensure compliance.
Views:	Management agrees with the finding. See corrective action plan on page 89.

LA FERIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2018

<u>SCHEDULE REFERENCE NUMBER</u>	<u>STATUS OF PRIOR YEAR FINDING/NEW COMPLIANCE</u>
Schedule Reference Number (2017-001)	Excess Expenditures Over Appropriations The District CFO and accountant reviewed and amended the budget during the year due to several different issues arising at or near year end. The budget amendments were sufficient to cover the current year expenditures.
Schedule Reference Number (2017-002)	Suspension and Debarment The District implemented procedures to verify that vendors are not suspended or debarred prior to authorizing purchases and established a process to periodically monitor vendors utilized from purchasing cooperatives.

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
 CORRECTIVE ACTION PLAN
 YEAR ENDED AUGUST 31, 2018*

<u>SCHEDULE REFERENCE NUMBER</u>	<u>CORRECTIVE ACTION PLAN</u>
Schedule Reference Number (2018-001)	Excess Cost- IDEA, Part B
Corrective Action Plan:	For the 2018-2019 school year and thereafter, the District CFO will perform the calculation of excess cost for IDEA, Part B and will monitor compliance with this compliance requirement throughout the year.

La Feria I.S.D. School Board

Juan Briones * Katie Johnson * Lisa Montalvo * Gloria Casas * Michelle Gomez-Vela * Michael Martinez * Ruben Zambrano
 President Vice-President Secretary Member Member Member Member

LA FERIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

(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
U.S. DEPARTMENT OF AGRICULTURE				
<u>Passed Through the State Department of Agriculture</u>				
*School Breakfast Program	10.553	71401801	\$ -	\$ 746,953
*National School Lunch Program- Cash Assistance	10.555	71301801	-	1,504,841
*National School Lunch Program- Non-Cash Assistance	10.555	00153	-	193,022
Total National School Lunch Program				<u>1,697,863</u>
Total Child Nutrition Cluster				<u>2,444,816</u>
Child and Adult Food Care Program	10.558	176TX332N1099	-	147,710
Total Passed Through State Department of Agriculture				<u>2,592,526</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>2,592,526</u>
U.S. DEPARTMENT OF EDUCATION				
<u>Passed Through State Department of Education</u>				
Title I Grants to Local Educational Agencies	84.010	18610101031905	-	1,608,589
Title I Grants to Local Educational Agencies	84.010	19610101031905	-	47,935
Total Title I Grants to Local Educational Agencies				<u>1,656,524</u>
Migrant Education State Grant Program	84.011	18615001031905	-	236,687
* Special Education Cluster	84.027	186600010319056000	-	612,895
Career and Technical Education - Basic Grants to States	84.048	18420006031905	-	32,157
English Language Acquisition State Grants	84.365	18671001031905	-	52,966
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	18694501031905	-	170,984
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	19694501031905	-	4,520
Total Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				<u>175,504</u>
Grants for State Assessments and Related Activities	84.369	69551702	-	2,374
Student Support and Academic Enrichment Program	84.424	18680101031905	-	18,422
Hurricane Education Recovery	84.938C	51271901	-	18,454
Total Passed Through State Department of Education				<u>2,805,983</u>
<u>Passed Through Region One ESC</u>				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334A110180-16	-	14,453
Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund)	84.374	108950	-	1,398
				<u>15,851</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>2,821,834</u>
U.S. DEPARTMENT OF Health and Human Services				
<u>Passed Through Texas Department of Human Services</u>				
* Medicaid Cluster	93.778	529-07-01457-00138	-	11,338
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 5,425,698</u>

**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 \$30,752 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	\$5,425,698
General fund – Federal Revenue	
School Health and Related Services (SHARS) revenue	<u>655,089</u>
Total Federal Revenues, per Exhibit C-3	<u>\$6,080,787</u>

NOTE 3 – SUB-RECIPIENTS

During the year ended August 31, 2018, the La Feria Independent School District had no sub-recipients.

NOTE 4 – FEDERAL LOANS AND LOAN GUARANTEES

During the year ended August 31, 2018, the District had no outstanding federal loans payable or loan guarantees.

NOTE 5 – FEDERALLY FUNDED INSURANCE

During the year ended August 31, 2018, 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, 2018, the District received \$193,022 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, 2018, the District did not elect to use this rate.

SCHOOLS FIRST QUESTIONNAIRE

La Feria ISD

Fiscal Year 2018

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$-0-
SF11	Net Pension Assets (1920) at fiscal year-end.	\$-0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$5,921,225
SF13	Pension Expense (6147) at fiscal year-end.	

January 24, 2019

Board of Trustees and Management
La Feria Independent School District

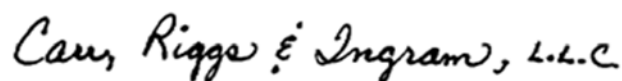
Except as discussed in the following paragraph, in planning and performing our audit of the financial statements of the La Feria Independent School District (the "District") as of and for the year ended August 31, 2018, in accordance with auditing standards generally accepted in the United States of America ("GAAS"), we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of issuing our reports on the financial statements, but not for the purpose of expressing opinions on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

During our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. We included the accompanying chart of internal control recommendations for management's consideration. This letter does not affect our report, dated January 24, 2019, on the financial statements of the La Feria Independent School District.

This communication is intended solely for the information and use the Board of Trustees and Management and others within La Feria Independent School District, and is not intended to be, and should not be, used by anyone other than these specified parties.



CARR, RIGGS & INGRAM, LLC

Internal Control Matters

IP = Improvement Point	D = Control Deficiency	SD = Significant Deficiency	MW = Material Weakness
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CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION	MANAGEMENT ACTION
None	IP	Payroll	The assignment of account coding for employee payroll cost is determined based on the employee's position. There is no formal documentation of the account code for which payroll cost are to be charged.	We recommend that the District develop a process which includes formal documentation of account coding for employee payroll cost and this documentation be reviewed and approved by appropriate District personnel.	The District is evaluating its current process and will work to include such documentation for account coding for employee payroll cost.
None	IP	Monthly TRS Submissions	The second review of the monthly submission of contributions to TRS is not formally documented.	We recommend the District to include a second review of the remittance of TRS contributions by someone other than the individual processing payroll.	The District will evaluate its current procedures and consider implementing a second review of the remittance of TRS contributions

Internal Control Matters

CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION	MANAGEMENT ACTION
None	IP	Journal Entry Process	There is an inconsistent use of journal entry forms for documenting journal entries into the District's Skyward accounting system.	We recommend the District to incorporate the use of journal entry voucher forms and to document the review and approval of these forms for entries posted into the Skyward accounting system.	The District's Finance Department is currently evaluating its current procedures and will consider the recommendation to use journal entry voucher forms for documenting review and approval of entries into the accounting system.
None	IP	Processing Payroll	Employee timesheets are not formally reviewed and approved by appropriate District personnel prior to processing payroll for employees set up with contracts.	We recommended the District incorporate procedures that include review and approval of employee timesheets and clearly document this review prior to processing payroll.	The District will review its current procedures and will consider incorporating review and approval of timesheets prior to processing payroll.

Internal Control Matters

CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION	MANAGEMENT ACTION
None	IP	ITGCs	During review of IT general controls it was noted that terminated employees were listed as active users in Skyward user listing.	We recommend the District review it's current listing of users in the Skyward accounting system and determine which users are no longer valid and take appropriate action to remove. In addition, we recommend the District to implement controls to ensure terminated employees are timely removed from the accounting system	The District will work to include procedures that include timely removal of terminated employees from the District's accounting system.
None	D	Highest Daily Cash Balances	The Districts cash deposits exceeded FDIC insurance and pledged collateral during the months of March and July 2018.	The Districts cash deposits should be monitored on a regular basis and additional collateral should be pledged based on expectations of cash increases.	The District will continue to monitor cash balances and verify additional pledged collateral will be authorized by bank depository when increases in cash balances are expected.

Internal Control Matters

CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION	MANAGEMENT ACTION
None	D	Single Audit- Low income verification	During testing low income verification, we noted one instance in which the student classification of low income did not agree with the student income verification form on file. In addition, an income verification form could not be located in a separate instance	We recommend the District to implement a process across all campuses which includes verifying economically disadvantaged students are correctly included in PEIMS data and forms for this determination are maintained in student files. The District should also determine the necessary steps to correct the miscoding found for the one student and appropriately update their PEIMS records.	The District is currently reviewing the appropriate steps to update its PEIMS records to correct the identified miscoding. In addition, the District will implement control processes and procedures to verify student classifications are accurately reflected in PEIMS data.
None	D	Single Audit- Graduation rate	Documentation maintained to support removing classification of student from the regularly adjusted cohort was not reviewed by PEIMS Director	We recommend the District to implement a process across all campuses which includes signing of forms used to support removing a student from the regulatory adjusted cohorts and all appropriate personnel be informed of this process and trained accordingly.	The District is evaluating its current procedures and will work to incorporate the use of a single form and ensure that forms are obtained and reviewed prior to removing students from the regulatory adjusted cohort.

Internal Control Matters

CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION	MANAGEMENT ACTION
None	D	Single Audit-Procurement-Small Purchases	The District did not obtain 3 quotes prior to initiating a cash disbursement for expenditure meeting the small purchase threshold.	We recommend the District to implement a process which includes verifying that 3 quotes have been obtained for expenditures that meet the small purchase threshold for all vendors that are not part of a cooperative.	The District is evaluating its current procedures and will work to incorporate the procedures that include verification that 3 quotes have been obtained for purchases that meet the small purchase threshold.
None	D	Financial Close and Reporting	The District's financial close and reporting resulted in significant delays. Financial information was not available for audit purposes until several months after year end.	We recommend the District to begin the financial close and reporting process at an appropriate time to allow for readily available financial information for both internal and external purposes.	The District is continuing to work to improve this process. Future plans will include setting a timeline and monitoring progress regarding the financial close and reporting process.