

**LA FERIA  
INDEPENDENT SCHOOL DISTRICT**

*ANNUAL FINANCIAL REPORT  
AND  
COMPLIANCE REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2013*

**LA FERIA INDEPENDENT SCHOOL DISTRICT**

La Feria, Texas  
Year Ended August 31, 2013

**TRUSTEES**

Juan Briones - President

Alan Moore - Vice-President

Gloria Casas - Secretary

David Bazaldua

Javier Loreda

Pancho Cobarrubias

Lalo Sosa

**SUPERINTENDENT**

Mr. Raymundo Villarreal

**BUSINESS MANAGER**

Ramon Mendoza

**LA FERIA INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL AND COMPLIANCE REPORT  
YEAR ENDED AUGUST 31, 2013**

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**LA FERIA INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL AND COMPLIANCE REPORT  
YEAR ENDED AUGUST 31, 2013**

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# **INTRODUCTORY SECTION**

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**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, 2013 at a meeting of the board of school trustees of such school district on the 24 day of January, 2014.

Gloria Casas  
Signature of Board Secretary

CMD  
Signature of Board President

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## **FINANCIAL SECTION**

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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 as of and for the year ended August 31, 2013, 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, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As described in Note B to the financial statements, in 2013, the District adopted new accounting guidance, Governmental Accounting Standards Board (“GASB”) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are 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 and budgetary comparison information on pages 17–23 and 56-57 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 accompanying financial information listed as Texas Education Agency Required Schedules in the table of contents are presented in accordance with requirements of the Texas Education Agency 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 23, 2014, on our consideration of the La Feria Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering La Feria Independent School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Long Chilton, LLP". The signature is written in a cursive, flowing style.

**LONG CHILTON, LLP**  
*Certified Public Accountants*

Harlingen, Texas  
January 23, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the La Feria Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2013. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$20,882,647 at August 31, 2013.
- During the year, the District's expenses were \$35,873,057. Revenues generated in taxes and other revenues for governmental activities were \$36,850,499.
- The total cost of the District's programs increased \$268,636 from last year. This increase resulted from planned one-time \$500 payment to all full time staff members.
- The general fund reported a fund balance this year of \$5,239,823.
- The District received a superior rating for the Financial Integrity Reporting System of Texas (FIRST) for 2012. This rating evaluates quality of performance in the management of school district's financial resources.

### 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.

- *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*.
- *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. All of the District's services are reported in the government-wide financial statements, including instructional, instructional leadership, student support services, general administration, support services, and debt services. Property taxes, state foundation funds and grants finance most of these activities.

The *statement of net position* presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two 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 government's net position changed during the 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. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The District has no business-type activities.

### ***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.

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 18 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, National School Breakfast and Lunch Program 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 position. 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 that further explains and supports the information in the financial statements. The Required Supplementary Information relates to comparison of the original adopted budget, the final amended budget, and the actual results for the fiscal year ended. This is required supplementary information for the general fund.

### **Other Supplementary Information**

The Other Supplementary Information 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 State Regulatory agencies.

### **Government-Wide Financial Analysis**

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

#### **Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the year ended August 31, 2013, the District's assets and deferred outflows exceeded its liabilities by \$20,882,647.

**Table I  
Net Position Summary**

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012 *</u>
Current and other assets	\$ 9,517,692	\$ 9,242,837
Capital assets	<u>46,924,353</u>	<u>47,806,158</u>
Total assets	<u>56,442,045</u>	<u>57,048,995</u>
Deferred outflows	<u>98,222</u>	<u>119,361</u>
Other liabilities	2,488,977	2,438,220
Long-term liabilities	<u>33,168,643</u>	<u>34,824,931</u>
Total liabilities	<u>35,657,620</u>	<u>37,263,151</u>
Net investment in capital assets	13,972,540	13,577,605
Restricted	1,640,504	1,753,740
Unrestricted	<u>5,269,603</u>	<u>4,573,860</u>
Total net position	<u>\$20,882,647</u>	<u>\$19,905,205</u>

\*As a result of implementing GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*, the District has restated the beginning net position in the government-wide Statement of Activities, effectively decreasing the net position as of September 1, 2012 by \$410,209 from \$20,315,414 to \$19,905,205. The decrease results from no longer deferring and amortizing bond issuance costs.

As depicted in Table I, a significant portion of the District's net position, 67%, reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Also, approximately 8% of the net position of the District represents resources that are subject to external restriction on how they may be used. The remaining 25% of net position are unrestricted and may be used to meet the District's ongoing obligations.

## Changes in Net Position

The Net Position of the District increased by \$977,442 for the year ended August 31, 2013. The total revenues from taxpayers, user service, grants and other sources for the District was \$36,850,499, an increase over fiscal year 2012 of \$841,166. Total expenses for the 2013 fiscal year were \$35,873,057 or \$268,636 more than the expenses for fiscal year 2012.

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

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>Restated 2012</u>
<b>Program Revenues:</b>		
Charges for services	\$ 721,538	\$ 583,800
Operating grants and contributions	7,171,325	6,670,702
<b>General Revenues:</b>		
Property taxes	4,589,427	4,649,015
State and other grants	24,296,392	23,984,457
Investment earnings	9,742	9,569
Miscellaneous local intermediate	<u>62,075</u>	<u>111,790</u>
<b>Total Revenues</b>	<b>36,850,499</b>	<b>36,009,333</b>
<b>Program Expenses:</b>		
Instruction	17,766,009	17,414,420
Instructional resources and media services	546,479	461,092
Curriculum and instructional staff development	582,788	594,239
Instructional leadership	558,824	396,240
School leadership	2,035,892	1,942,828
Guidance, counseling and evaluation services	925,328	951,144
Social services	90,996	88,453
Health services	385,270	388,381
Student (pupil) transportation	1,054,529	1,107,104
Food services	2,425,384	2,179,652
Cocurricular/extracurricular activities	1,427,880	1,448,856
General administration	1,056,810	961,520
Plant maintenance and operations	4,184,461	4,664,018
Security and monitoring services	40,031	36,794
Data processing services	345,967	348,164
Community services	369,614	421,174
Debt service	1,502,082	1,651,811
Payments to fiscal agent/member districts of SSA	450,911	381,428
Payments to juvenile justice alternative education	30,905	83,614
Other governmental charges	<u>92,897</u>	<u>83,489</u>
<b>Total Expenses</b>	<b><u>35,873,057</u></b>	<b><u>35,604,421</u></b>
<b>Increase (decrease) in net position</b>	<b>977,442</b>	<b>404,912</b>
<b>Beginning net position</b>	<b><u>19,905,205</u></b>	<b><u>19,500,293</u></b>
<b>Ending net position</b>	<b><u>\$20,882,647</u></b>	<b><u>\$19,905,205</u></b>

The District's total revenues were \$36,850,499. A significant portion, 85%, of the District's revenue comes from state aid – formula grants and operating grants. 12% comes from taxes, while only 2% relates to charges for services.

## Governmental Activities

The District's property tax rate decreased to \$1.30 per \$100 of taxable property value from \$1.336 with the reduction in the debt service tax rate.

The total cost of all programs and services was \$35,873,057; 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 \$35,873,057.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$4,589,427.
- The cost that was paid by those who directly benefited from the programs was \$721,538.
- The amount by grants and contributions was \$7,171,325.

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

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction and instructional related	\$18,895,276	\$18,469,751	\$14,981,155	\$15,106,358
School leadership	2,035,892	1,942,828	1,923,016	1,839,894
Food services	2,425,384	2,179,652	(196,385)	(30,889)
Plant maintenance and operations	4,184,461	4,664,018	4,103,298	4,301,531

## 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, 2013, the District's governmental funds reported a combined ending fund balance of \$6,076,138, an increase of \$245,897 from last year. Of the total fund balance, \$4,007,195, or approximately 66 percent, 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**

<b>Nonspendable</b>	
Inventories	\$ 39,898
Prepayments	344,305
<b>Restricted</b>	
Grant funds	848,425
Debt service	752,181
<b>Committed</b>	
Campus activity funds	84,134
<b>Unassigned</b>	
Unassigned	<u>4,007,195</u>
	<u>\$6,076,138</u>

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2013, the District had invested \$64,614,317 in a broad range of capital assets, including land, equipment, buildings, and vehicles.

**Table V  
Capital Assets**

	<u>2013</u>	<u>2012</u>
Land	\$ 2,887,027	\$ 2,887,027
Buildings and improvements	57,191,652	57,191,652
Furniture and equipment	<u>4,535,638</u>	<u>3,859,558</u>
Total assets at historical cost	64,614,317	63,938,237
Accumulated depreciation	<u>(17,689,964)</u>	<u>(16,132,079)</u>
Net capital assets	<u>\$46,924,353</u>	<u>\$47,806,158</u>

**Long-term Debt**

At year-end, the District had \$33,168,643 in bonds, related premiums/discounts and other long-term liabilities as shown in Table VI. More detailed information about the District's debt is presented in the notes to the financial statements.

**Bond Ratings**

The District's bonds presently carry "Aaa" ratings assigned by Moody's Investor Services.

**Table VI  
Long-term Debt**

	<u>2013</u>	<u>2012</u>
Bonds payable	\$31,015,000	\$32,465,000
Issuance premiums	230,388	253,928
Issuance discounts	(6,733)	(8,185)
Property finance contract	1,810,431	1,965,108
Compensated absences	<u>119,557</u>	<u>149,080</u>
	<u>\$33,168,643</u>	<u>\$34,824,931</u>

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

- Appraised value used for the 2014 budget preparation was \$364,829,704 which is a 8.77% increase from last year's value.
- General operating fund spending per student in the 2014 budget is \$8,328 which is a decrease from the prior year average of \$8,364.
- The District's 2014 refined average daily attendance is expected to be 3,338 which is the same as last year.

These indicators were taken into account when adopting the general fund budget for 2014. The District adopted a balanced budget and anticipates several budget amendments throughout the fiscal year to account for changes in enrollment and other variables. The District is closely monitoring all operating costs due to the uncertainties in future state funding.

Expenditures in the General Fund are expected to increase to \$30,398,590 which is an increase of \$957,493. The District has added no major new programs or initiatives to the 2014 budget.

If these estimates are realized, the District's budgetary general fund balance is not expected to change appreciably by the close of 2014.

## **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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**BASIC**  
**FINANCIAL STATEMENTS**

LA FERIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2013

EXHIBIT A-1

Data Control Codes	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 5,702,203
1220 Property Taxes Receivable (Delinquent)	1,110,820
1230 Allowance for Uncollectible Taxes	(33,325)
1240 Due from Other Governments	2,324,282
1267 Due from Fiduciary Funds	903
1290 Other Receivables, net	28,606
1300 Inventories	39,898
1410 Prepayments	344,305
Capital Assets:	
1510 Land	2,887,027
1520 Buildings, Net	42,293,845
1530 Furniture and Equipment, Net	1,743,481
1000 Total Assets	<u>56,442,045</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	98,222
1700 Total Deferred Outflows of Resources	<u>98,222</u>
<b>LIABILITIES</b>	
2110 Accounts Payable	449,268
2140 Interest Payable	124,919
2150 Payroll Deductions & Withholdings	392,662
2160 Accrued Wages Payable	544,084
2177 Due to Fiduciary Funds	8,578
2180 Due to Other Governments	969,466
Noncurrent Liabilities	
2501 Due Within One Year	1,681,804
2502 Due in More Than One Year	31,486,839
2000 Total Liabilities	<u>35,657,620</u>
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	13,972,540
3820 Restricted for Federal and State Programs	888,323
3850 Restricted for Debt Service	752,181
3900 Unrestricted	5,269,603
3000 Total Net Position	<u>\$ 20,882,647</u>

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, 2013

EXHIBIT B-1

Net (Expense)  
Revenue and  
Changes in Net  
Position

Data Control Codes	1	Program Revenues		6
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 17,766,009	\$ 166,649	\$ 3,366,685	\$ (14,232,675)
12 Instructional Resources and Media Services	546,479	-	37,657	(508,822)
13 Curriculum and Staff Development	582,788	-	343,130	(239,658)
21 Instructional Leadership	558,824	-	121,760	(437,064)
23 School Leadership	2,035,892	-	112,876	(1,923,016)
31 Guidance, Counseling and Evaluation Services	925,328	-	124,033	(801,295)
32 Social Work Services	90,996	-	8,078	(82,918)
33 Health Services	385,270	-	18,123	(367,147)
34 Student (Pupil) Transportation	1,054,529	-	44,923	(1,009,606)
35 Food Services	2,425,384	144,191	2,477,578	196,385
36 Extracurricular Activities	1,427,880	410,698	39,113	(978,069)
41 General Administration	1,056,810	-	35,260	(1,021,550)
51 Facilities Maintenance and Operations	4,184,461	-	81,163	(4,103,298)
52 Security and Monitoring Services	40,031	-	1,641	(38,390)
53 Data Processing Services	345,967	-	12,245	(333,722)
61 Community Services	369,614	-	347,060	(22,554)
72 Debt Service - Interest on Long Term Debt	1,497,995	-	-	(1,497,995)
73 Debt Service - Bond Issuance Cost and Fees	4,087	-	-	(4,087)
93 Payments related to Shared Services Arrangements	450,911	-	-	(450,911)
95 Payments to Juvenile Justice Alternative Ed. Prg.	30,905	-	-	(30,905)
99 Other Intergovernmental Charges	92,897	-	-	(92,897)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 35,873,057</u>	<u>\$ 721,538</u>	<u>\$ 7,171,325</u>	<u>(27,980,194)</u>

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	3,676,271
DT	Property Taxes, Levied for Debt Service	913,156
SF	State Aid - Formula Grants	21,609,726
GC	Grants and Contributions not Restricted	2,686,666
IE	Investment Earnings	9,742
MI	Miscellaneous Local and Intermediate Revenue	62,075
TR	Total General Revenues	<u>28,957,636</u>
CN	Change in Net Position	977,442
NB	Net Position - Beginning, Restated	<u>19,905,205</u>
NE	Net Position--Ending	<u>\$ 20,882,647</u>

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

LA FERIA INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2013

EXHIBIT C-1

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 3,395,130	\$ 2,269,958	\$ 37,115	\$ 5,702,203
1220 Property Taxes - Delinquent	886,050	224,770	-	1,110,820
1230 Allowance for Uncollectible Taxes (Credit)	(26,582)	(6,743)	-	(33,325)
1240 Receivables from Other Governments	1,757,552	-	566,730	2,324,282
1260 Due from Other Funds	886,651	-	-	886,651
1290 Other Receivables	22,499	-	6,107	28,606
1300 Inventories	39,898	-	-	39,898
1410 Prepayments	344,305	-	-	344,305
1000 Total Assets	<u>\$ 7,305,503</u>	<u>\$ 2,487,985</u>	<u>\$ 609,952</u>	<u>\$ 10,403,440</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 311,378	\$ 300	\$ 137,590	\$ 449,268
2150 Payroll Deductions and Withholdings Payable	392,662	-	-	392,662
2160 Accrued Wages Payable	455,892	-	88,192	544,084
2170 Due to Other Funds	8,578	585,712	300,036	894,326
2180 Due to Other Governments	37,701	931,765	-	969,466
2000 Total Liabilities	<u>1,206,211</u>	<u>1,517,777</u>	<u>525,818</u>	<u>3,249,806</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	859,469	218,027	-	1,077,496
2600 Total Deferred Inflows of Resources	<u>859,469</u>	<u>218,027</u>	<u>-</u>	<u>1,077,496</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	39,898	-	-	39,898
3430 Prepayments	344,305	-	-	344,305
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	848,425	-	-	848,425
3480 Retirement of Long-Term Debt	-	752,181	-	752,181
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	84,134	84,134
3600 Unassigned Fund Balance	4,007,195	-	-	4,007,195
3000 Total Fund Balances	<u>5,239,823</u>	<u>752,181</u>	<u>84,134</u>	<u>6,076,138</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,305,503</u>	<u>\$ 2,487,985</u>	<u>\$ 609,952</u>	<u>\$ 10,403,440</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, 2013

<b>Total Fund Balances - Governmental Funds</b>	\$	6,076,138
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets was \$64,614,317 and the accumulated depreciation was \$17,689,964.		46,924,353
<b>2</b> Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred inflows of resources in the fund financial statements.		1,077,496
<b>3</b> Long-term liabilities including bonds payable and property finance contract payable are not due and payable in the current period and are not reported as liabilities in the funds.		(32,825,431)
<b>4</b> Long-term liabilities related to compensated absences are not due in the current period and are not reported in the funds.		(119,557)
<b>5</b> Long-term liabilities including accrued interest payable on bonds are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(124,919)
<b>6</b> Premiums on the issuance of bonds are capitalized, net of amortization, on the government-wide financial statements.		(223,655)
<b>7</b> Deferred charges on debt refundings are not available to pay for current period expenditures and are not reported in the funds.		98,222
<b>19 Net Position of Governmental Activities</b>	\$	20,882,647

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 BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds	
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 4,123,092	\$ 941,623	\$ 333,724	\$ 5,398,439
5800	State Program Revenues	22,808,816	2,012,945	466,977	25,288,738
5900	Federal Program Revenues	3,123,293	-	3,055,687	6,178,980
5020	Total Revenues	<u>30,055,201</u>	<u>2,954,568</u>	<u>3,856,388</u>	<u>36,866,157</u>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
0011	Instruction	14,401,230	-	2,650,660	17,051,890
0012	Instructional Resources and Media Services	497,234	-	26,261	523,495
0013	Curriculum and Instructional Staff Development	242,190	-	333,440	575,630
0021	Instructional Leadership	451,631	-	96,059	547,690
0023	School Leadership	1,826,118	-	131,566	1,957,684
0031	Guidance, Counseling and Evaluation Services	814,215	-	82,574	896,789
0032	Social Work Services	86,261	-	3,144	89,405
0033	Health Services	364,698	-	-	364,698
0034	Student (Pupil) Transportation	1,068,915	-	-	1,068,915
0035	Food Services	2,480,752	-	-	2,480,752
0036	Extracurricular Activities	1,242,387	-	223,071	1,465,458
0041	General Administration	1,045,846	-	-	1,045,846
0051	Facilities Maintenance and Operations	3,816,435	-	286,794	4,103,229
0052	Security and Monitoring Services	38,440	-	-	38,440
0053	Data Processing Services	264,315	-	118,214	382,529
0061	Community Services	4,470	-	347,060	351,530
<b>Debt Service:</b>					
0071	Principal on Long Term Debt	154,677	1,450,000	-	1,604,677
0072	Interest on Long Term Debt	66,570	1,426,233	-	1,492,803
0073	Bond Issuance Cost and Fees	-	4,087	-	4,087
<b>Intergovernmental:</b>					
0093	Payments to Fiscal Agent/Member Districts of SSA	450,911	-	-	450,911
0095	Payments to Juvenile Justice Alternative Ed. Prg.	30,905	-	-	30,905
0099	Other Intergovernmental Charges	92,897	-	-	92,897
6030	Total Expenditures	<u>29,441,097</u>	<u>2,880,320</u>	<u>4,298,843</u>	<u>36,620,260</u>
1200	Net Change in Fund Balances	614,104	74,248	(442,455)	245,897
0100	Fund Balance - September 1 (Beginning)	<u>4,625,719</u>	<u>677,933</u>	<u>526,589</u>	<u>5,830,241</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 5,239,823</u>	<u>\$ 752,181</u>	<u>\$ 84,134</u>	<u>\$ 6,076,138</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, 2013

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	245,897
Capital outlays are reported in governmental funds as expenditures. However, in the government-wide financial statements they are shown as increases in capital assets and their cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation of \$1,557,885 exceeded capital outlays of \$676,080.		(881,805)
Repayment of long-term debt principal is an expenditure in the governmental fund financial statements but it is a reduction in long-term liabilities in the government-wide financial statements.		1,604,677
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are unavailable in the governmental funds. This is the net change for the year.		(15,658)
Compensated absences are reported as the amount earned in the statement of activities but as the amount paid in the funds.		29,523
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds where it is recognized when due and requires the use of current financial resources. In the statement of activities, interest expense is accrued and includes the amortization of bond premiums and discounts.		(5,192)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>977,442</b>

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

LA FERIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2013

	Private Purpose Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 177,096	\$ 53,487
Due from Other Funds	8,578	-
Other Receivables	-	315
Restricted Assets	-	227,729
Total Assets	<u>185,674</u>	<u>\$ 281,531</u>
<b>LIABILITIES</b>		
Accounts Payable	7,856	\$ 3,317
Due to Other Funds	-	903
Due to Student Groups	16,338	52,899
Payable from Restricted Assets	-	224,412
Total Liabilities	<u>24,194</u>	<u>\$ 281,531</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>161,480</u>	
Total Net Position	<u>\$ 161,480</u>	

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



**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2013*

**NOTE A – REPORTING ENTITY**

This report includes the financial statements of the funds required to account for those activities, organizations and functions which are related to the La Feria Independent School District (the “District”) and which are controlled by or dependent upon the District’s governing body, the Board of Trustees. The Board of Trustees (the Board), includes seven eligible members elected at large by the qualified voters of the La Feria Independent School District, the Board has the exclusive power and duty to govern and oversee the management of the public schools of the District; all powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board.

The District receives funding from local, state and federal government sources and must comply with the applicable requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined by GASB guidelines since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The District is a governmental entity exempt from federal income taxation under Internal Revenue Code Section 115. The District has no component units as defined by GASB guidelines.

**NOTE B - 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.

1. *Basis of Presentation*

**Government-Wide Statements:**

The government-wide financial statements consist of the statement of net position and the statement of activities. These statements report information on all of the non-fiduciary activities of the District. The effect of the interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues.

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

Separate financial statements are provided for governmental funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2013*

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to, and accounted for the purpose of, carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

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

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

*Nonmajor Governmental Funds:*

**Other Special Revenue Funds.** The District accounts for resources restricted to, or committed for, specific purpose by the District or a grantor in a special revenue fund. Most federal and some state financial award programs are accounted for in these funds and sometimes unused balances are returned to the grantor at the close of specified project periods.

**Capital Projects Fund.** The capital projects fund of the District accounts for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and related capital asset acquisitions. The District completed the latest capital project and closed this fund during the current fiscal year.

*Fiduciary Funds:*

**Private Purpose Trust Funds.** The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. Because the assets are held in a trustee capacity and are not available to support District programs, these funds are not included in the government-wide statements.

**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.

The District has no proprietary funds.

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2013*

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

*2. Measurement Focus, Basis of Accounting and Financial Statement Presentation*

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become available and measurable. The District considers revenues as available if they are collected within the 60 days after year end. Revenues susceptible to accrual are property taxes, fiscal year state funding, and interest revenues. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

*3. Budgets*

The official school budget was prepared for adoption for required Governmental Fund Types by August 20, 2012. The budget was formally adopted by the board of school trustees at a duly advertised public meeting prior to the expenditure of funds. The budget was amended by the board of school trustees throughout the year. Expenditures may not legally exceed budgeted appropriations at the function level.

*4. 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 and have a maturity within three months or less.

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED AUGUST 31, 2013**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

5. *Investments*

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

6. *Inventory*

Materials, supplies and food commodities are carried in inventory at average cost and are subsequently charged to expenditures when consumed. Inventories include consumable maintenance, instructional, office and food service items. Reported inventories are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

7. *Prepayments*

Prepayments are items that will benefit periods beyond August 31, 2013. The prepaid expenses included are for unexpired insurance policy premiums paid by August 31, 2013, and which provide coverage beyond that date and a prepaid support agreement with Skyward Accounting Software for the subsequent school year. The reported prepayments are equally offset by nonspendable fund balance, which indicates that they do not constitute "available expendable resources" even though they are a component of net current assets.

8. *Capital Assets*

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

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

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

9. *Interfund Activity*

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

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2013*

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

10. *Long-term Obligations*

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are recorded and are amortized over the term of the related debt using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs incurred 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 the 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 debt proceeds, are reported as debt service expenditures.

11. *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.

12. *Compensated Absences*

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

13. *Accounting System*

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

14. *Data Control Codes*

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

15. *Fund Balance Reporting*

GASB Statement No. 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and inventories. The District has prepaid items and inventories that are considered nonspendable.

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2013*

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

In addition to the nonspendable fund balance, GASB Statement No. 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The responsibility to commit funds rests with the Board of Trustees. Committed amounts cannot be used for any other purpose unless the governing board changes or lifts the constraint taking the same formal action that imposed the constraint originally.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the Superintendent.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose.

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.

16. *Encumbrance Accounting*

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31<sup>st</sup> and encumbrances outstanding at that time are either cancelled or appropriately provided for in the subsequent year's budget.

17. *Deferred Outflows and Inflows of Resources*

The District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The District has an accounting loss on refunding bonds which is a deferred resource outflow and also has unavailable revenues from property taxes which are deferred resource inflows under this standard.

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2013*

**NOTE C – DEPOSITS AND INVESTMENTS**

*Investment Accounting Policy*

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

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies; the District adhered to the requirements of the Act. Additionally, management believes that it has complied in all material respects with the requirements of District’s local investment policies.

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

The Act determines the types of investments, which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, the state of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The District policy authorizes all the State allowable investments.

The District’s management believes that it has complied in all material respects with the requirements of the Act and the District’s investment policies.

*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act, the District’s investment policy, and Government Code Chapter 2257 “Collateral For Public Funds” contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments.

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2013*

**NOTE C – DEPOSITS AND INVESTMENTS - Continued**

To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public fund investment pool created to function as a money market mutual fund must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005.

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

*Cash Deposits*

At August 31, 2013, the District's carrying amount had a balance of \$154,537 (cash, interest-bearing savings accounts and certificate of deposits) and the bank balance was \$694,342. The District's cash deposits at August 31, 2013 and during the year ended August 31, 2013 were entirely covered by FDIC insurance or by approved pledged securities for safekeeping and trust that are held in the District's name by a bank other than the pledging bank except for two days, December 20, 2012 and June 28, 2013. On December 20, 2012 the deposits were undercollateralized by \$446,819 and on June 28, 2013 the deposits were undercollateralized by \$130,130.

The District's cash deposits at August 31, 2013 are maintained at BBVA Compass Bank. These deposits were collateralized in accordance with Texas Law, and the Texas Education Agency maintains copies of all safekeeping receipts in the name of the District other than on the two dates previously specified.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Name of Bank BBVA Compass Bank.
- b. Amount of bond and/or market value of securities pledged as of the date of the highest combined balance on deposit was \$1,539,871.
- c. Largest cash, savings and time deposit combined account balance amounted to \$2,507,066 and occurred during the month of December 2012.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$520,376.

On December 21, 2012, the bank pledged additional collateral so the exposure was limited to one day only.

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.



**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED AUGUST 31, 2013**

**NOTE C – DEPOSITS AND INVESTMENTS - Continued**

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the specific investments and their maturity:

<u>Description</u>	<u>CUSIP</u>	<u>Amount</u>	<u>Maturity</u>	<u>Days</u>
Lone Star	N/A	\$5,829,907	N/A	Daily
Certificates of Deposit	N/A	<u>176,071</u>	N/A	Daily
		<u>\$6,005,976</u>		

The District’s investment pool is considered cash and cash equivalents and the restricted asset in the agency fund on Exhibit E-1 of \$227,729 is also part of Lone Star Investment Pool.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the District’s investment policy and the Texas Public Fund Investment Act and the actual rating as of year end for each investment.

<u>Description</u>	<u>Minimum Legal Rating</u>	<u>Amount</u>	<u>Rating</u>	<u>Percentage</u>
Lone Star	AAA	\$5,829,907	AAA	97%
Certificates of Deposit	AAA	<u>176,071</u>	AAA	3
		<u>\$6,005,976</u>		

Concentration of Credit Risk

The Investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Public Funds Investment Act (“PFIA”). There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Public Funds Investment Pools

First Public - Lone Star Government Overnight Fund is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is rated AAAM by Standard and Poor’s and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools. The District's investment in the Pool is reported at an amount determined by the fair value per share of the Pool's underlying portfolio. The fund operates in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940.

**NOTE D - 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 and those expected to be collected during a 60 day period after the close of the school fiscal year.

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED AUGUST 31, 2013**

**NOTE D - PROPERTY TAX - Continued**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. The District's 2012 tax rate was \$1.040 for maintenance and \$0.26 for debt service per \$100 assessed valuation. The 2012 assessed valuation was \$335,392,755. 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, 2013, outstanding taxes in the general fund and debt service fund was \$886,050 and \$224,770 with a corresponding allowance for doubtful accounts of \$26,582 and \$6,743.

**NOTE E - DUE TO AND FROM OTHER GOVERNMENTS AND AGENCIES**

Amounts due from other governments and agencies are as follows:

	<u>Due From</u>	<u>Due To</u>
<u>General Fund</u>		
Texas Education Agency:		
Foundation Revenues	\$1,234,080	\$ -
National School Lunch and Breakfast Programs	62,471	-
Other governmental entities		
SHARS	461,001	-
State Comptroller	-	37,701
<u>Debt Service Fund</u>		
Texas Education Agency - EDA	-	918,655
Texas Education Agency - IFA	-	13,110
<u>Other Governmental Funds</u>		
Texas Education Agency:		
ESEA Title I, Part A – Improving Basic Programs	273,167	-
ESEA Title I, SIP Academy Grant – ARRA	49,467	-
ESEA Title I, Part C	28,151	-
ESEA Title II, Part A Teacher/Principal Training	109,131	-
Title III, Part A English Language Acquisition	3,100	-
Career and Technical Basic Grant	1,813	-
Student Success Initiative	19,427	-
State Textbook	18,797	-
Region One ESC:		
GEAR-UP	<u>63,677</u>	<u>-</u>
	<u>\$2,324,282</u>	<u>\$ 969,466</u>

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED AUGUST 31, 2013**

**NOTE F - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund receivable and payable balances at August 31, 2013 were:

<u>Due From</u>	<u>Due To</u>	
Debt Service Fund	General Fund	\$585,712
Non-major Funds	General Fund	300,036
Private Purpose Trust Fund	General Fund	<u>8,578</u>
Due to Other Funds – Governmental Funds		894,326
Reconcilement for fiduciary funds:		
Private Purpose Trust Fund	General Fund	(8,578)
Agency	General Fund	<u>903</u>
Due from Other Funds – Governmental Funds		<u>\$886,651</u>

All amounts are scheduled to be repaid within one year. There were no transfers made between funds during the year ended August 31, 2013.

**NOTE G – DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2013, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other Receivables</u>	<u>Total Receivables</u>
<b>Governmental Activities:</b>					
General Fund	\$ 886,050	\$1,757,552	\$886,651	\$ 22,499	\$3,552,752
Debt Service Fund	224,770	-	-	-	224,770
Other Funds	<u>-</u>	<u>566,730</u>	<u>-</u>	<u>6,107</u>	<u>572,837</u>
Total Governmental Activities	<u>\$1,110,820</u>	<u>\$2,324,282</u>	<u>\$886,651</u>	<u>\$ 28,606</u>	<u>\$4,350,359</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 755,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 755,644</u>

Payables at August 31, 2013, were as follows:

	<u>Accounts Payable</u>	<u>Payroll Deductions and Withholding</u>	<u>Accrued Wages</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Total Payables</u>
<b>Governmental Activities:</b>						
General Fund	\$311,378	\$392,662	\$455,892	\$ 8,578	\$ 37,701	\$1,206,211
Debt Service Fund	300	-	-	585,712	931,765	1,517,777
Other Funds	<u>137,590</u>	<u>-</u>	<u>88,192</u>	<u>300,036</u>	<u>-</u>	<u>525,818</u>
Total Governmental Activities	<u>\$449,268</u>	<u>\$392,662</u>	<u>\$544,084</u>	<u>\$894,326</u>	<u>\$969,466</u>	<u>\$3,249,806</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED AUGUST 31, 2013**

**NOTE H – CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2013, was as follows:

	General Capital Assets Sept. 1, 2012	Additions	Deletions	General Capital Assets Aug. 31, 2013
Governmental activities				
Capital assets not being depreciated				
Land and improvements	\$ 2,887,027	\$ -	\$ -	\$ 2,887,027
Total capital assets not being depreciated	<u>2,887,027</u>	<u>-</u>	<u>-</u>	<u>2,887,027</u>
Capital assets being depreciated				
Building and improvements	57,191,652	-	-	57,191,652
Furniture and equipment	3,859,558	676,080	-	4,535,638
Total capital assets being depreciated	<u>61,051,210</u>	<u>676,080</u>	<u>-</u>	<u>61,727,290</u>
Less accumulated depreciation for:				
Building and improvements	13,586,006	1,311,801	-	14,897,807
Furniture and equipment	<u>2,546,073</u>	<u>246,084</u>	<u>-</u>	<u>2,792,157</u>
Total accumulated depreciation	16,132,079	1,557,885	-	17,689,964
Total capital assets being depreciated, net	<u>44,919,131</u>	<u>(881,805)</u>	<u>-</u>	<u>44,037,326</u>
Governmental activities capital assets, net	<u>\$47,806,158</u>	<u>\$ (881,805)</u>	<u>\$ -</u>	<u>\$46,924,353</u>

Depreciation was charged to the following functions:

**Government Activities:**

11 – Instruction	\$ 753,833
12 – Instructional Resources and Media Services	22,984
13 – Curriculum and instructional staff development	7,158
21 – Instructional Leadership	11,134
23 – School Leadership	78,208
31 – Guidance, Counseling and Evaluation Services	28,539
32 – Social Work Services	1,591
33 – Health Services	20,572
34 – Student (Pupil) Transportation	161,712
35 – Food Services	157,645
36 – Cocurricular/Extracurricular Activities	5,823
41 – General Administration	10,964
51 – Plant Maintenance and Operations	271,684
52 – Security and Monitoring Services	1,591
53 – Data Processing Services	6,363
61 – Community Services	<u>18,084</u>
	<u>\$1,557,885</u>

**NOTE I – RESTRICTED ASSETS**

Restricted assets of \$227,729 at August 31, 2013, consisted of restricted cash balances related to South Texas Health Cooperative which is reported as an agency fund on Exhibit E-1. The District is the fiscal agent for the health insurance cooperative.

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED AUGUST 31, 2013**

**NOTE J - LONG-TERM OBLIGATIONS**

Long-term obligations include bonds payable, loans payable and compensated absences. Changes in long-term obligations for the year ended August 31, 2013 are as follows:

	Beginning Balance <u>Sept. 1, 2012</u>	<u>Increase</u>	<u>Decrease</u>	Ending Balance <u>Aug. 31, 2013</u>	Due Within <u>One Year</u>
<u>Governmental Activities</u>					
<b>General Obligation Bonds:</b>					
Unlimited Tax School Bonds					
Refunding – Series 2005	\$ 6,425,000	\$ -	\$ (640,000)	\$ 5,785,000	\$ 660,000
Building – Series 2005	10,320,000	-	(230,000)	10,090,000	240,000
Refunding – Series 2006	4,145,000	-	(330,000)	3,815,000	350,000
Building – Series 2008	<u>11,575,000</u>	<u>-</u>	<u>(250,000)</u>	<u>11,325,000</u>	<u>260,000</u>
	32,465,000	-	(1,450,000)	31,015,000	1,510,000
Deferred amounts					
Issuance premiums	253,928	-	(23,540)	230,388	(22,277)
Issuance discounts	<u>(8,185)</u>	<u>-</u>	<u>1,452</u>	<u>(6,733)</u>	<u>1,309</u>
	32,710,743	-	(1,472,088)	31,238,655	1,489,032
Property finance contract	1,965,108	-	(154,677)	1,810,431	152,035
Compensated absences	<u>149,080</u>	<u>12,438</u>	<u>(41,961)</u>	<u>119,557</u>	<u>40,737</u>
	<u>\$34,824,931</u>	<u>\$ 12,438</u>	<u>\$(1,668,726)</u>	<u>\$33,168,643</u>	<u>\$1,681,804</u>

**General Obligation Bonds:**

Bonds payable at August 31, 2013 are comprised of the following individual issues:

In June 2005, the District issued \$10,350,000 in refunding bonds to refund the balance outstanding on the 1992 school building bonds as well as all the lease revenue bonds issued by the La FERIA Independent School District Public Facilities Corporation which had been issued to finance various construction projects. The refunding bonds carry interest ranging from 2.7% to 4.63% and principal payments from \$455,000 in 2006 to \$85,000 in 2027. The net proceeds of the refunding bonds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds and to pay the cost of issuance of the bonds. As a result, the refunded bonds are considered to be defeased and the liability for the bonds has been removed from the District's long-term liabilities. At August 31, 2013, the amount of defeased debt outstanding was \$5,845,000 from the public facilities corporation lease revenue bonds.

\$5,785,000

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED AUGUST 31, 2013**

**NOTE J - LONG-TERM OBLIGATIONS - Continued**

In June 2005, the District issued \$11,350,000 in school building bonds with interest rates ranging from 3.5% to 5.0% to construct additional facilities and to pay the costs of issuing the bonds. The principal payments on these bonds range from \$190,000 beginning in 2008 to the final installment of \$690,000 in 2037. \$10,090,000

In March 2006, the District issued \$5,469,998 in refunding bonds with interest rates ranging from 3.5% to 4.1% to advance refund the 1997 school building bonds outstanding. The refunding bonds mature in 2022 with principal payments ranging from \$35,000 in 2007 to \$515,000 in 2022. The net proceeds of the refunding bonds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds and to pay for the costs of issuance of the bonds. As a result, the refunded bonds are considered to be defeased and the liability for the bonds has been removed from the District's long-term liabilities. At August 31, 2013, the amount of defeased debt outstanding was \$3,810,000. 3,815,000

The District issued \$12,499,995 in school building bonds to purchase land, construct a new elementary school and fund various renovation projects as well as pay for the cost of issuing the bonds. The bonds carry interest ranging from 3.0% to 5.0% and have principal payments ranging from \$209,995 in 2009 to \$750,000 in 2038. 11,325,000  
\$31,015,000

Debt service requirements on general obligation bonds at August 31, 2013 are as follows:

Year Ended <u>August 31,</u>	Principal Value at <u>Maturity</u>	<u>Interest</u>	Total <u>Requirements</u>
2014	\$ 1,510,000	\$ 1,368,512	\$ 2,878,512
2015	1,585,000	1,306,287	2,891,287
2016	1,630,000	1,242,187	2,872,187
2017	1,530,000	1,179,769	2,709,769
2018	1,575,000	1,117,162	2,692,162
2019-2023	7,400,000	4,583,780	11,983,780
2024-2028	4,560,000	3,370,803	7,930,803
2029-2033	5,245,000	2,242,503	7,487,503
2034-2038	<u>5,980,000</u>	<u>793,250</u>	<u>6,773,250</u>
Total	<u>\$31,015,000</u>	<u>\$17,204,253</u>	<u>\$48,219,253</u>

***Property Finance Contract:***

During the year ended August 31, 2009, the District entered into a property finance contract for an energy management system with TAC Americans, Inc. (TAC). The note is payable in 15 annual installment payments and carries interest at 5.1%. The note is secured by the components of the energy management system (primarily air conditioning units and fluorescent lights) and matures November 12, 2022. TAC has guaranteed that the annual payments over the 15 year life of the contract will be funded by energy cost reductions. In October 2011 the District amended the property finance contract to reduce the interest rate to 3.823% and agreed to 12 remaining annual payments of \$221,247.

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED AUGUST 31, 2013**

**NOTE J - LONG-TERM OBLIGATIONS - Continued**

Debt service requirements on the property finance contract at August 31, 2013 are as follows:

<u>Year Ended</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2014	\$ 152,035	\$ 69,213	\$ 221,248
2015	157,847	63,400	221,247
2016	163,881	57,366	221,247
2017	170,146	51,101	221,247
2018	176,651	44,596	221,247
2019-2023	<u>989,871</u>	<u>116,366</u>	<u>1,106,237</u>
Total	<u>\$1,810,431</u>	<u>\$402,042</u>	<u>\$2,212,473</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, 2013.

The District's other noncurrent liabilities are liquidated in the fund where the liability was incurred. Thus, the general fund satisfies most liabilities for governmental activities.

**NOTE K - REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

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

	<u>General</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Other</u> <u>Funds</u>	<u>Total</u>
Property taxes, net of discounts	\$3,585,059	\$ 904,155	\$ -	\$4,489,214
Penalties, interest and other	140,752	37,194	-	177,946
Shared service arrangement	143,465	-	-	143,465
Tuition and fees	23,183	-	-	23,183
Investment income	8,395	274	1,073	9,742
Food service activity	144,191	-	-	144,191
Athletic activity	61,929	-	-	61,929
Activity fund revenues	<u>16,118</u>	<u>-</u>	<u>332,651</u>	<u>348,769</u>
	<u>\$4,123,092</u>	<u>\$ 941,623</u>	<u>\$333,724</u>	<u>\$5,398,439</u>

**NOTE L – DEFERRED INFLOWS OF RESOURCES**

Unavailable revenues from property taxes in the general fund and the debt service fund at August 31, 2013 were \$859,469 and \$218,027, respectively.

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED AUGUST 31, 2013**

**NOTE M - GENERAL FUND FEDERAL SOURCE REVENUES**

<u>Programs or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
School Breakfast Program	10.553	\$ 796,082
National School Lunch Program	10.555	1,513,503
USDA – Donated Commodities	10.565	137,480
Indirect costs earned on federal programs		
ESEA Title I, Part A Improving Basic	84.010A	264
ESEA Title I, Part C Migrant	84.011	2,923
Career and Technical – Basic Grant	84.048	873
ESEA II, A Training and Recruiting	84.367A	4,448
SHARS/Medicaid	-	650,555
Medicaid Administrative Claim	-	<u>17,165</u>
		<u>\$3,123,293</u>

**NOTE N - CONTINGENT LIABILITIES**

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.

The District through its financial advisors is working with Texas Education Agency (TEA) to resolve differences in prior years funding from the existing debt allotment (EDA) and Instructional Facilities Allotment (IFA). The amount recorded in Due to Other Governments in the Debt Service Fund corresponds to the amounts currently shown as overpayments by TEA on the EDA and IFA payment ledgers.

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectibility of any related receivable at August 31, 2013 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.



**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2013*

**NOTE O - DEFINED BENEFIT PENSION PLAN**

*Plan Description.* La Feria Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

*Funding Policy.* State law provides for a state contribution rate of 6.4% and a member contribution rate of 6.4%. In certain instances the reporting district is required to make all or a portion of the state's contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS's 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.

State contributions to TRS made on behalf of La Feria Independent School District's employees for the year ended August 31, 2011 were \$1,343,534, for the year ended August 31, 2012 were \$1,250,421, and for the year ended August 31, 2013 were \$1,212,906. La Feria Independent School District paid additional state contributions for the year ended August 31, 2011 of \$319,125, for the year ended August 31, 2012 of \$283,980, and for the year ended August 31, 2013 of \$270,746, respectively on the portion of the employees' salaries that exceeded the statutory minimum.

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

**NOTE P - SCHOOL DISTRICT RETIREE HEALTH PLAN**

*Plan Description.* The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2013*

**NOTE P - SCHOOL DISTRICT RETIREE HEALTH PLAN - continued**

*Funding Policy.* Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively.

The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2012 and 2011. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2013, 2012, and 2011, the State's contributions to TRS-Care were \$199,774, \$204,327 and \$207,800, respectively, the active member contributions were \$129,847, \$132,813 and \$135,070, respectively, and the school district's contributions were \$109,823, \$112,380, and \$114,290, respectively, which equaled the required contributions each year.

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. For the years ended August 31, 2013, 2012, and 2011, the subsidy payments received by TRS-Care on behalf of the District were \$54,669, \$47,376 and \$49,738, respectively.

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

**NOTE Q - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the District participated in a number of programs through TASB Risk Management Fund. There were no significant reductions in coverage in the past fiscal year.

**Property and Liability Programs**

During the year ended August 31, 2013, La Feria ISD participated in the TASB Risk Management Fund's (the Fund) Property Program with coverage in Auto Physical Damage, Band Floater, Office Equipment Floater and Property. The District also participated in the TASB Risk Management Fund's Liability Program with coverage in Auto Liability, General Liability, School Professional Legal Liability and Sexual Misconduct Claims Endorsement. Both Funds were created and are operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property and Liability Programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2013, the Fund anticipates La Feria ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2013*

**NOTE Q - RISK MANAGEMENT - continued**

**Workers' Compensation Insurance**

During the year ended August 31, 2013, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund ("the Fund"). The District contributed \$176,177 in premiums to the Fund. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The District participates in the Fund's reimbursable aggregate deductible program. As such, the District is responsible for a certain amount of claims liability as outlined on the District's Contribution and Coverage Summary document. After the District's deductible has been met, the Fund is responsible for additional claims.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2012, the Fund carries a discounted reserve of \$68,883,628 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2013, member districts will have no additional liability beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of Independent auditors to conduct an independent financial audit after the close of each plan year on August 31 and is approved by the Fund's Board of Trustees in February the following year. The Fund's audited financial statements as of August 31, 2012, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

**Unemployment Compensation Pool**

During the year ended August 31, 2013, La Feria ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2013*

**NOTE Q - RISK MANAGEMENT - continued**

**Health Coverage**

The District provides the employees with a health insurance plan. The District paid premiums of \$265 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 Maxor Administrative Services and reinsurance has been obtained for specific claims in excess of \$300,000 with no aggregate limit through Munich RE on behalf of American Alternative Insurance Group. 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 2014 school year remains at \$346.

**NOTE R - JOINT VENTURE - SHARED SERVICE ARRANGEMENTS**

The District participates in the Mercedes ISD Special Education Cooperative to provide special education services. The District contributed \$450,911 to the cooperative for school year 2013 and the funds were expended for payroll costs, purchased and contracted services, supplies and materials, and miscellaneous operating expenses.

**NOTE S - COMPLIANCE AND ACCOUNTABILITY**

a. Finance-Related Legal and Contractual Provision

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

For the year ended August 31, 2013, the District had no expenditures in excess of appropriations.

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

No deficit fund balances were reported in the current year.

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED AUGUST 31, 2013**

**NOTE T – FUND BALANCES**

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.

Assigned – the School Board has authorized by board resolution the superintendent to assign funds for specifically identified purposes.

Unassigned – the unassigned fund balance has no constraints.

	<u>General Funds</u>	<u>Other Governmental Funds</u>		<u>Total Governmental Funds</u>
		<u>Debt Service Fund</u>	<u>Other Funds</u>	
Fund balances				
Nonspendable				
Inventories	\$ 39,898	\$ -	\$ -	\$ 39,898
Prepayments	344,305	-	-	344,305
Restricted				
Food service	848,425	-	-	848,425
Debt service	-	752,181	-	752,181
Committed				
Campus activity funds	-	-	84,134	84,134
Unassigned	<u>4,007,195</u>	<u>-</u>	<u>-</u>	<u>4,007,195</u>
	<u>\$5,239,823</u>	<u>\$ 752,181</u>	<u>\$ 84,134</u>	<u>\$6,076,138</u>

**NOTE U – RESTATEMENT**

As a result of implementing GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District has restated the beginning net position in the government-wide Statement of Activities, effectively decreasing net position as of September 1, 2012 by \$410,209 from \$20,315,414 to \$19,905,205.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

LA FERIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 3,916,000	\$ 4,079,150	\$ 4,123,092	\$ 43,942
5800	State Program Revenues	22,500,105	22,200,105	22,808,816	608,711
5900	Federal Program Revenues	2,407,000	2,867,000	3,123,293	256,293
5020	Total Revenues	28,823,105	29,146,255	30,055,201	908,946
<b>EXPENDITURES:</b>					
<b>Current:</b>					
0011	Instruction	14,367,901	14,609,901	14,401,230	208,671
0012	Instructional Resources and Media Services	463,180	501,180	497,234	3,946
0013	Curriculum and Instructional Staff Development	318,050	261,050	242,190	18,860
0021	Instructional Leadership	277,850	461,000	451,631	9,369
0023	School Leadership	1,765,040	1,840,040	1,826,118	13,922
0031	Guidance, Counseling and Evaluation Services	867,500	822,500	814,215	8,285
0032	Social Work Services	85,000	91,500	86,261	5,239
0033	Health Services	371,275	371,275	364,698	6,577
0034	Student (Pupil) Transportation	887,100	1,148,100	1,068,915	79,185
0035	Food Services	2,154,705	2,514,705	2,480,752	33,953
0036	Extracurricular Activities	1,200,926	1,245,926	1,242,387	3,539
0041	General Administration	914,810	1,074,810	1,045,846	28,964
0051	Facilities Maintenance and Operations	3,991,950	3,968,950	3,816,435	152,515
0052	Security and Monitoring Services	41,550	41,550	38,440	3,110
0053	Data Processing Services	327,200	291,700	264,315	27,385
0061	Community Services	10,390	10,390	4,470	5,920
<b>Debt Service:</b>					
0071	Principal on Long Term Debt	154,678	154,678	154,677	1
0072	Interest on Long Term Debt	67,000	67,000	66,570	430
<b>Intergovernmental:</b>					
0093	Payments to Fiscal Agent/Member Districts of	387,000	451,000	450,911	89
0095	Payments to Juvenile Justice Alternative Ed.	85,000	40,000	30,905	9,095
0099	Other Intergovernmental Charges	85,000	93,000	92,897	103
6030	Total Expenditures	28,823,105	30,060,255	29,441,097	619,158
1200	Net Change in Fund Balances	-	(914,000)	614,104	1,528,104
0100	Fund Balance - September 1 (Beginning)	4,625,719	4,625,719	4,625,719	-
3000	Fund Balance - August 31 (Ending)	\$ 4,625,719	\$ 3,711,719	\$ 5,239,823	\$ 1,528,104



**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*  
*YEAR ENDED AUGUST 31, 2013*

**STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Data**

The Board of Trustees adopts an "appropriated budget" for the General Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for this fund. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1.

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

- Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
- Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year.
- Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The District had no expenditures in excess of appropriations in the general fund.

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**TEXAS EDUCATION AGENCY**  
**REQUIRED SCHEDULES**

LA FERIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ Various
2005	1.454000	0.090000	208,842,554
2006	1.364000	0.245000	266,839,324
2007	1.249000	0.245000	283,238,415
2008	1.040000	0.245000	300,434,726
2009	1.040000	0.300000	321,087,577
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 (School year under audit)	1.040000	0.260000	335,392,755
1000 TOTALS			

(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$ 141,230	\$ -	\$ 3,997	\$ 453	\$ (1,246)	\$ 135,534
28,533	-	939	58	(150)	27,386
41,874	-	1,582	284	(157)	39,851
48,981	-	3,194	626	(457)	44,704
53,127	-	7,216	1,700	(390)	43,821
99,376	-	19,949	5,755	3,015	76,687
125,045	-	29,989	8,536	4,358	90,878
203,899	-	61,917	17,622	4,058	128,418
384,897	-	152,980	43,540	4,204	192,581
-	4,578,815	3,395,798	848,950	(3,107)	330,960
<u>\$ 1,126,962</u>	<u>\$ 4,578,815</u>	<u>\$ 3,677,561</u>	<u>\$ 927,524</u>	<u>\$ 10,128</u>	<u>\$ 1,110,820</u>

LA FERIA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015  
 GENERAL AND SPECIAL REVENUE FUNDS  
 AUGUST 31, 2013

**FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST**

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ 49,903	\$ 180,327	\$ 383,125	\$ -	\$ -	\$ 613,355
6149	Leave for Separating Employees in Fn 41 & 53	-	-	40,428	-	-	-	40,428
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	77,389	-	-	-	-	-	77,389
6212	Audit Services	-	-	-	30,200	-	-	30,200
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	106,561	-	-	-	-	106,561
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	4,382	101,518	-	-	105,900
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	20,748	-	-	20,748
6240	Contr. Maint. and Repair	-	-	-	-	4,432	-	4,432
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	4,654	1,360	-	-	6,014
6290	Miscellaneous Contr.	-	-	-	172	-	-	172
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	1,281	158	6,839	32,128	2,000	-	42,406
6410	Travel, Subsistence, Stipends	3,545	-	10,568	3,412	-	-	17,525
6420	Ins. and Bonding Costs	-	250	5,810	-	-	-	6,060
6430	Election Costs	15,716	-	-	-	-	-	15,716
6490	Miscellaneous Operating	4,200	135	28,533	18,886	-	-	51,754
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	84	84
6000	TOTAL	\$ 102,131	\$ 157,007	\$ 281,541	\$ 591,549	\$ 6,432	\$ 84	\$ 1,138,744

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 33,295,142

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 503,486
Total Debt & Lease(6500)	(11) 221,247
Plant Maintenance (Function 51, 6100-6400)	(12) 3,740,265
Food (Function 35, 6341 and 6499)	(13) 1,114,835
Stipends (6413)	(14) 2,000
Column 4 (above) - Total Indirect Cost	591,549

SubTotal:

6,173,382

Net Allowed Direct Cost

\$ 27,121,760

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 57,191,652
Historical Cost of Building over 50 years old	(16) \$ 2,173,742
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 4,535,638
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 963,955
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.  
 \$92,897 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

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, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 118,300	\$ 118,300	\$ 144,509	\$ 26,209
5800 State Program Revenues	14,000	14,000	30,514	16,514
5900 Federal Program Revenues	2,267,405	2,267,405	2,447,065	179,660
5020 Total Revenues	2,399,705	2,399,705	2,622,088	222,383
<b>EXPENDITURES:</b>				
0035 Food Services	2,154,705	2,514,705	2,480,752	33,953
0051 Facilities Maintenance and Operations	245,000	295,000	270,204	24,796
6030 Total Expenditures	2,399,705	2,809,705	2,750,956	58,749
1200 Net Change in Fund Balances	-	(410,000)	(128,868)	281,132
0100 Fund Balance - September 1 (Beginning)	1,017,191	1,017,191	1,017,191	-
3000 Fund Balance - August 31 (Ending)	\$ 1,017,191	\$ 607,191	\$ 888,323	\$ 281,132

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, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 1,087,000	\$ 1,087,000	\$ 941,623	\$ (145,377)
5800	State Program Revenues	1,800,000	1,800,000	2,012,945	212,945
5020	Total Revenues	2,887,000	2,887,000	2,954,568	67,568
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	1,450,000	1,450,000	1,450,000	-
0072	Interest on Long Term Debt	1,427,000	1,427,000	1,426,233	767
0073	Bond Issuance Cost and Fees	10,000	10,000	4,087	5,913
6030	Total Expenditures	2,887,000	2,887,000	2,880,320	6,680
1200	Net Change in Fund Balances	-	-	74,248	74,248
0100	Fund Balance - September 1 (Beginning)	677,933	677,933	677,933	-
3000	Fund Balance - August 31 (Ending)	\$ 677,933	\$ 677,933	\$ 752,181	\$ 74,248



## **FEDERAL AWARDS SECTION**

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

To the Board of Trustees  
La Feria Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the La Feria Independent School District, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise La Feria Independent School District's basic financial statements, and have issued our report thereon dated January 23, 2014.

**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.

**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*.

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However, we noted certain other matters that are reported to management of the La Feria Independent School District in a separate letter dated January 23, 2014.

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Long Chilton, LLP". The signature is written in a cursive, flowing style.

**LONG CHILTON, LLP**  
*Certified Public Accountants*

Harlingen, Texas  
January 23, 2014

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Trustees  
La Feria Independent School District

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

We have audited La Feria Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of La Feria Independent School District's major federal programs for the year ended August 31, 2013. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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 La Feria Independent School District's compliance.

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

In our opinion, 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, 2013.

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## Report on Internal Control Over Compliance

Management of 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 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 OMB Circular A-133, 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 La Feria Independent School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



**LONG CHILTON, LLP**  
*Certified Public Accountants*

Harlingen, Texas  
January 23, 2014

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**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
 YEAR ENDED AUGUST 31, 2013

**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  no

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  no

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  yes  no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	School Lunch Program – Cash Assistance
10.565	School Lunch Program – Non-Cash Assistance
84.388	Title I, SIP Academy Grant – ARRA

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  yes  no

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2013*

**SECTION II - FINANCIAL STATEMENT FINDINGS**

*None noted that were required to be reported.*

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Total all questioned costs	\$ -
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**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2013*

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

*None noted that were required to be reported.*

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED*  
*SCHEDULE OF STATUS OF PRIOR FINDINGS*  
*YEAR ENDED AUGUST 31, 2013*

**PROGRAM DESCRIPTION**

**Schedule Reference Number: (12-1)**

**STATUS OF PRIOR YEAR'S  
FINDING/COMPLIANCE**

**Time and Effort Documentation**

Management established procedures to insure that time and effort certifications were received in a timely manner accordingly to Federal guidelines and District policy. Management reviewed and reconciled employee assignment to general ledger postings on a regular basis to test for accuracy.

TEA performed a desk review of additional documentation provided as support for the finding in the prior year and was satisfied that the District had adequate documentation to support time and effort requirements and that there were no questioned costs associated with the finding.

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED*  
*CORRECTIVE ACTION PLAN*  
*YEAR ENDED AUGUST 31, 2013*

*No matters to be reported in the current year.*

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Contact Person: Ramon Mendoza, Business Manager  
Implementation Time Frame: N/A

LA FERIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2013

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through Region One ESC</u>			
GEAR-UP	84.334A		\$ 90,445
Total Passed Through Region One ESC			\$ 90,445
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101031905	\$ 1,746,544
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101031905	85,402
Total CFDA Number 84.010A			1,831,946
Total Title I, Part A Cluster			1,831,946
ESEA, Title I, Part C - Migratory Children	84.011	13615001031905	143,012
Career and Technical - Basic Grant	84.048	13420006031095	45,891
Career and Technical - Basic Grant	84.048	14420006031905	1,813
Total CFDA Number 84.048			47,704
Title III, Part A - English Language Acquisition	84.365A	13671001031905	49,304
Title III, Part A - English Language Acquisition	84.365A	14671001031905	3,100
Total CFDA Number 84.365A			52,404
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501031905	190,599
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501031905	6,675
Total CFDA Number 84.367A			197,274
Summer School LEP	84.369A	69551202	3,346
Title I SIP Academy Grant - ARRA	84.388	105520057110004	412,349
Education Jobs Fund- ARRA	84.410	11550101031905	277,207
Total Passed Through State Department of Education			\$ 2,965,242
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 3,055,687</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		\$ 17,165
Total Passed Through Texas Dept of Human Services			\$ 17,165
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ 17,165</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 796,082
*National School Lunch Program - Cash Assistance	10.555		1,513,503
*National School Lunch Prog. - Non-Cash Assistance	10.565		137,480
Total Child Nutrition Cluster			2,447,065
Total Passed Through the State Department of Agriculture			\$ 2,447,065
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 2,447,065</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 5,519,917</b>

\*Clustered Programs



**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS*  
*YEAR ENDED AUGUST 31, 2013*

**NOTE A - 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 OMB Circular A-133, 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 B – PROGRAM REPORTING**

The National School Lunch Program, School Breakfast Program Commodity Supplemental Food Program, Summer Feeding Program, SHARS, MAC and indirect costs are all accounted for in the general fund. 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**

Amount of federal revenues Exhibit C-3	\$6,178,980
Less amounts not considered to be federal awards, excluded on the Schedule of Expenditures of Federal Awards:	
School Health and Related Service Program (SHARS)	650,555
Indirect costs	<u>8,508</u>
Total expenditures of federal awards, per the Schedule of Expenditures of Federal Awards (Exhibit K-1)	<u>\$5,519,917</u>

**LA FERIA INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS*  
 AS OF AUGUST 31, 2013

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the District receive a clean audit? Was there an unmodified opinion in the annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instance of material weaknesses in internal controls?	No
SF9	Was there any disclosures in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	None

MEMORANDUM OF ADVISORY COMMENTS  
**LA FERIA INDEPENDENT SCHOOL DISTRICT**

August 31, 2013

Board of Trustees and Management  
La Feria Independent School District

In planning and performing our audit of the financial statements of the La Feria Independent School District for the year ended August 31, 2013, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report, dated January 23, 2014, on the financial statements of the La Feria Independent School District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the audit committee, management, the Texas Education Agency, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**LONG CHILTON, LLP**  
*Certified Public Accountants*

Harlingen, Texas  
January 23, 2014

## COMMENTS AND OBSERVATIONS

### *Depository Collateral*

The District was undercollateralized at the bank twice during fiscal year 2012-2013. In both instances the undercollateralization was the result of transfers from Lone Star into the payroll clearing bank account. Since the payroll cycles for the District are known, we encourage the business office staff to develop procedures to monitor the size of the payroll transfers relative to the cash position at the bank to ensure the bank has adequate collateral pledged to secure the District's funds at all times.

### *Public Funds Investment Act Compliance*

The Public Funds Investment Act requires quarterly reporting to the Board of Trustees by the investment officer for the District which is being provided in a timely manner. However, the Act requires certain reporting elements that are not currently being met. These include signature by each investment officer of the entity, a statement of compliance, as well as other information required by the Act. We recommend that the District's investment officer review the compliance checklist provided and revise the quarterly reports to include all the required elements.

### *State Mandated Programs Monitoring*

The District has met the required percentage of expenditures for career and technology allotment for the last two years only after the general fund PIC 99 is allocated. We recommend that the business office work with campus personnel to monitor the expenditures for PIC 22 (Career and Technology) throughout the year to ensure the required percentage is met prior to the end of the school year and without the allocation of the PIC 99 expenditures.