

**LA FERIA
INDEPENDENT SCHOOL DISTRICT
La Feria, Texas**

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

FOR THE YEAR ENDED AUGUST 31, 2015

**LA FERIA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
YEAR ENDED AUGUST 31, 2015**

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
INTRODUCTORY SECTION		
Certificate of Board	-	7
FINANCIAL SECTION		
Independent Auditors' Report	-	11
Management's Discussion and Analysis	-	17
Basic Financial Statements		
<i>Government-wide Statements:</i>		
Statement of Net Position	A-1	28
Statement of Activities	B-1	29
<i>Government Fund Financial Statements:</i>		
Balance Sheet	C-1	30
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	C-2	31
Statement of Revenues, Expenditures, and Changes in Fund Balance	C-3	32
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	C-4	33
<i>Fiduciary Fund Financial Statements:</i>		
Statement of Fiduciary Net Position	E-1	34
Notes to the Financial Statements		37
Required Supplementary Information		
Budgetary Comparison Schedule – General Fund	G-1	70
Schedule of the District's Proportionate Share of the Net Pension Liability – Teacher Retirement System	G-2	71
Schedule of the District Contributions – Teacher Retirement System	G-3	72
Notes to Required Supplementary Information		73
Other Supplementary Information		
<i>Texas Education Agency – Required Schedules:</i>		
Schedule of Delinquent Taxes Receivable	J-1	76
Budgetary Comparison Schedule – Child Nutrition Program	J-2	78
Budgetary Comparison Schedule – Debt Service Fund	J-3	79

**LA FERIA INDEPENDENT SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2015**

TABLE OF CONTENTS - CONTINUED

	<u>EXHIBIT</u>	<u>PAGE</u>
SINGLE AUDIT SECTION		
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		83
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133		87
Schedule of Findings and Questioned Costs	-	91
Schedule of Status of Prior Findings	-	93
Corrective Action Plan	-	95
Schedule of Expenditures of Federal Awards	K-1	96
Notes on Accounting Policies for Federal Awards	K-2	97

INTRODUCTORY SECTION

LA FERIA INDEPENDENT SCHOOL DISTRICT

LA FERIA, TEXAS

YEAR ENDED AUGUST 31, 2015

TRUSTEES

Alan Moore - President

Juan Briones - Vice-President

Gloria Casas - Secretary

Katie Johnson

Lisa Montalvo

Javier Loreda

Lalo Sosa

SUPERINTENDENT

Mr. Raymundo Villarreal

CHIEF FINANCIAL OFFICER

Ramon Mendoza

INTRODUCTORY SECTION

CERTIFICATE OF BOARD

La Feria Independent School District
Name of School District

Cameron
County

031-905
Co.-Dist. Number

We, the undersigned, do hereby certify that the attached annual financial reports of the above named school district were reviewed and approved -- disapproved for the year ended August 31, 2015 at a

(Check one)

meeting of the board of school trustees of such school district on the 11th day of January, 2016.

Gloria Casas
Signature of Board Secretary

[Signature]
Signature of Board President

(This page intentionally left blank.)

FINANCIAL SECTION

(This page intentionally left blank.)

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

(This page intentionally left blank.)

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, 2015, 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.

Change in Accounting Principle

As described in Note B to the financial statements, in 2015, the District adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and net pension liability and pension contribution information on pages 17–25 and 70-74 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 other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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.

(This page intentionally left blank.)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2016, 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 11, 2016

(This page intentionally left blank.)

LA FERIA INDEPENDENT SCHOOL DISTRICT 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, 2015. 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 \$17,940,900 at August 31, 2015.
- During the year, the District's expenses were \$39,342,221. Revenues generated in taxes and other revenues for governmental activities were \$38,877,513.
- The total cost of the District's programs increased \$656,532 from last year. This increase resulted from a planned salary increase for all full time staff members.
- In November 2014, the District refinanced Bonds Series 2005 that saved our district interest costs.
- The general fund reported a fund balance this year of \$5,232,579.
- The District received a "pass" rating for the Financial Integrity Reporting System of Texas (FIRST) for 2014. The Texas Administrative Code Rule 109.1001 "Financial Accountability Ratings" provides for only two ratings for 2014-2015: P for Pass if it scores within the acceptable range established by the Commissioners for a P rating or F for substandard achievement if it scores below the pass range. Effective for the 2015–2016 fiscal year, and all subsequent school years there will be an expanded rating system of A, B, C or F with the Commissioner establishing the applicable ranges for each rating. The FIRST rating evaluates quality of performance in the management of school district 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 supplementary 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.

LA FERIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

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.

In fiscal year 2015, the District adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.*
- Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:

- a. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- b. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- c. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made regarding the particular presentation requirements depending upon the type pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements.

The adoption of Statement No. 67 has no impact on the District's financial statements.

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirement of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

LA FERIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined by the state legislature for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the District's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement. Net position as of September 1, 2014 was decreased by \$3,411,251 to reflect the cumulative effect of adoption.

Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 69.

Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 70.

Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the District's fiscal year-end, the effect from the District's reported contributions to the plan subsequent to the respective measurement date of the plan is an increase in deferred outflow of resources and a decrease in net position.

LA FERIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

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. Also included in RSI is the Schedule of the District's Proportionate Share of the Net Pension Liability – Teacher Retirement System and the Schedule of the District Contributions – Teacher Retirement System.

LA FERIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Other Supplementary Information

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

Government-Wide Financial Analysis

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

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, 2015, the District's assets and deferred outflows exceeded its liabilities and deferred inflows by \$17,940,900, which includes the \$3,411,251 adjustment for GASB 68.

Table I
Net Position Summary

	Governmental Activities	
	2015	2014
Current and other assets	\$ 9,481,736	\$11,895,434
Capital assets	<u>46,137,774</u>	<u>46,880,029</u>
Total assets	<u>55,619,510</u>	<u>58,775,463</u>
Deferred outflows	<u>1,075,456</u>	<u>79,236</u>
Other liabilities	3,334,825	3,973,051
Long-term liabilities	<u>34,498,228</u>	<u>33,064,789</u>
Total liabilities	<u>37,833,053</u>	<u>37,037,840</u>
Deferred inflows	<u>921,013</u>	<u>-</u>
Net investment in capital assets	15,082,327	14,221,880
Restricted	1,012,982	1,291,190
Unrestricted	<u>1,845,591</u>	<u>6,303,789</u>
Total net position	<u>\$17,940,900</u>	<u>\$21,816,859</u>

As depicted in Table I, a significant portion of the District's net position, 84%, 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 6% of the net position of the District represents resources that are subject to external restriction on how they may be used. The remaining 10% 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 decreased by \$3,875,959 for the year ended August 31, 2015, however \$3,411,251 of the total decrease is the result of the restatement of beginning net position from the implementation of GASB Statements No. 68 and 71. The total revenues from taxpayers, user service, grants and other sources for the District was \$38,877,513, a decrease over fiscal year 2014 of \$742,388. The revenue decrease is from the anticipated reduction in Existing Debt Allotment (EDA) and Instructional Facilities Allotment (IFA) funding from TEA resulting from the tax rollback election that moved .13 cents from debt service to maintenance and operations taxes in the prior fiscal year. Total expenses for the 2015 fiscal year were \$39,342,221, or \$656,532 more than the expenses for fiscal year 2014 and the increase was primarily the result of salary and wage increases for all employees.

LA FERIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Table II
Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Program Revenues:		
Charges for services	\$ 816,799	\$ 740,220
Operating grants and contributions	6,896,413	6,957,098
General Revenues:		
Property taxes	4,521,546	4,519,218
State and other grants	26,269,610	27,193,975
Investment earnings	6,263	4,445
Miscellaneous local intermediate	<u>366,882</u>	<u>204,945</u>
Total Revenues	38,877,513	39,619,901
Program Expenses:		
Instruction	19,874,993	19,439,107
Instructional resources and media services	422,139	551,108
Curriculum and instructional staff development	742,966	764,339
Instructional leadership	594,632	605,176
School leadership	2,247,571	2,117,794
Guidance, counseling and evaluation services	838,243	846,387
Social services	74,216	99,178
Health services	410,376	419,989
Student (pupil) transportation	1,212,734	1,156,079
Food services	2,549,546	2,530,788
Co-curricular/extracurricular activities	1,846,743	1,746,633
General administration	1,076,236	1,089,351
Plant maintenance and operations	4,543,051	4,332,258
Security and monitoring services	46,793	52,093
Data processing services	534,138	410,288
Community services	383,837	448,213
Debt service	1,415,059	1,522,924
Payments to fiscal agent/member districts of SSA	457,277	449,032
Payments to juvenile justice alternative education	15,802	55,118
Other governmental charges	<u>55,869</u>	<u>49,834</u>
Total Expenses	<u>39,342,221</u>	<u>38,685,689</u>
Increase (decrease) in net position	(464,708)	934,212
Beginning net position	21,816,859	20,882,647
Prior period adjustment – GASB 68 and 71 pensions	<u>(3,411,251)</u>	<u>-</u>
Ending net position	<u>\$17,940,900</u>	<u>\$21,816,859</u>

The District's total revenues were \$38,877,513. 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.

The decrease in net position for year is the result of a reduction in EDA and IFA funding from TEA which although anticipated was greater than the amount estimated on top of the cost to the District of providing a salary and wage increase to all employees.

LA FERIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Governmental Activities

The District's property tax rate remained at \$1.2991 per \$100 of taxable property value as compared to last year's rate.

The total cost of all programs and services was \$39,342,221; 78% 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 \$39,342,221.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$4,521,546.
- The cost that was paid by those who directly benefited from the programs was \$816,799.
- The amount paid by operating grants and contributions was \$6,896,413.

Table III
Net Cost of Selected District Functions

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction and instructional related	\$21,040,098	\$20,754,554	\$17,424,266	\$17,243,779
School leadership	2,247,571	2,117,794	2,115,586	1,999,480
Food services	2,549,546	2,530,788	(62,787)	(116,466)
Plant maintenance and operations	4,543,051	4,332,258	4,405,121	4,238,815

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, 2015, the District's governmental funds reported a combined ending fund balance of \$5,322,408, a decrease of \$1,749,725 from last year. Of the total fund balance, \$4,149,608, or approximately 78 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

Nonspendable	
Inventories	\$ 147,453
Prepayments	165,854
Restricted	
Grant funds	769,664
Debt service	12,010
Committed	
Campus activity funds	77,819
Unassigned	
Unassigned	4,149,608
	<u>\$5,322,408</u>

LA FERIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had invested \$67,229,996 in a broad range of capital assets, including land, equipment, buildings, and vehicles. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table V
Capital Assets

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 2,887,027	\$ 2,887,027
Buildings and improvements	58,628,142	58,332,902
Furniture and equipment	<u>5,714,827</u>	<u>4,992,094</u>
Total assets at historical cost	67,229,996	66,212,023
Accumulated depreciation	<u>(21,092,222)</u>	<u>(19,331,994)</u>
Net capital assets	<u>\$46,137,774</u>	<u>\$46,880,029</u>

Long-term Debt

At year-end, the District had \$34,498,228 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>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Bonds payable	\$27,060,000	\$29,505,000
Issuance premiums	1,229,264	208,111
Issuance discounts	(989)	(5,424)
Maintenance tax notes	1,500,000	1,545,000
Maintenance tax notes premium	28,214	31,151
Property finance contract	1,500,549	1,658,396
Compensated absences	170,390	122,555
Net pension liability	<u>3,010,800</u>	<u>-</u>
	<u>\$34,498,228</u>	<u>\$33,064,789</u>

Net Pension Liability

The adoption of Statement No. 68 resulted in the District's reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for each of its qualified pension plans and the recognition of pension expense in accordance with the provisions of the Statement. The decrease in the District's net pension liability (NPL) to \$3,010,800 at August 31, 2015 from \$3,411,251 at August 31, 2014 was the result of a significant increase in net investment income in the TRS plan during 2014.

LA FERIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2016 budget preparation was \$374,614,351 which is a .5% decrease from last year's value.
- General operating fund spending per student in the 2016 budget is \$10,074 which is a decrease from the prior year average of \$10,459.
- The District's 2016 refined average daily attendance is expected to be 3,300 which is small increase from last year.

These indicators were taken into account when adopting the general fund budget for 2016. 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 be \$33,245,652 which is a decrease of \$1,191,531. The District has added a 2% salary increase to all full time staff, a fine arts initiative and an instructional technology initiative to the 2016 budget.

If these estimates are realized, the District's budgetary general fund balance is not expected to change appreciably by the close of 2016.

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.

(This page intentionally left blank)

BASIC
FINANCIAL STATEMENTS

LA FERIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2015

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 5,669,096
1220 Property Taxes Receivable (Delinquent)	1,023,707
1230 Allowance for Uncollectible Taxes	(30,711)
1240 Due from Other Governments	2,469,125
1290 Other Receivables, net	37,212
1300 Inventories	147,453
1410 Prepayments	165,854
Capital Assets:	
1510 Land	2,887,027
1520 Buildings, Net	41,080,032
1530 Furniture and Equipment, Net	2,170,715
1000 Total Assets	55,619,510
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	261,590
1705 Deferred Resource Outflows for Pensions	813,866
1700 Total Deferred Outflows of Resources	1,075,456
LIABILITIES	
2110 Accounts Payable	705,453
2140 Interest Payable	168,493
2150 Payroll Deductions & Withholdings	430,387
2160 Accrued Wages Payable	715,861
2180 Due to Other Governments	1,314,631
Noncurrent Liabilities	
2501 Due Within One Year	2,191,578
2502 Due in More Than One Year	29,295,850
2540 Net Pension Liability (District's Share)	3,010,800
2000 Total Liabilities	37,833,053
DEFERRED INFLOWS OF RESOURCES	
2603 Deferred Resource Inflows for Pensions	921,013
2600 Total Deferred Inflows of Resources	921,013
NET POSITION	
3200 Net Investment in Capital Assets	15,082,327
3820 Restricted for Federal and State Programs	769,664
3850 Restricted for Debt Service	165,499
3870 Restricted for Campus Activities	77,819
3900 Unrestricted	1,845,591
3000 Total Net Position	\$ 17,940,900

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, 2015

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 19,874,993	\$ 221,305	\$ 3,060,883	\$ (16,592,805)
12 Instructional Resources and Media Services	422,139	-	22,257	(399,882)
13 Curriculum and Staff Development	742,966	-	311,387	(431,579)
21 Instructional Leadership	594,632	-	44,333	(550,299)
23 School Leadership	2,247,571	-	131,985	(2,115,586)
31 Guidance, Counseling and Evaluation Services	838,243	-	124,087	(714,156)
32 Social Work Services	74,216	-	4,781	(69,435)
33 Health Services	410,376	-	19,726	(390,650)
34 Student (Pupil) Transportation	1,212,734	-	65,137	(1,147,597)
35 Food Services	2,549,546	138,594	2,473,739	62,787
36 Extracurricular Activities	1,846,743	456,900	49,555	(1,340,288)
41 General Administration	1,076,236	-	63,721	(1,012,515)
51 Facilities Maintenance and Operations	4,543,051	-	137,930	(4,405,121)
52 Security and Monitoring Services	46,793	-	2,173	(44,620)
53 Data Processing Services	534,138	-	12,224	(521,914)
61 Community Services	383,837	-	372,495	(11,342)
72 Debt Service - Interest on Long Term Debt	1,112,096	-	-	(1,112,096)
73 Debt Service - Bond Issuance Cost and Fees	302,963	-	-	(302,963)
93 Payments related to Shared Services Arrangements	457,277	-	-	(457,277)
95 Payments to Juvenile Justice Alternative Ed. Prg.	15,802	-	-	(15,802)
99 Other Intergovernmental Charges	55,869	-	-	(55,869)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 39,342,221	\$ 816,799	\$ 6,896,413	(31,629,009)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			4,086,657
DT	Property Taxes, Levied for Debt Service			434,889
SF	State Aid - Formula Grants			24,292,440
GC	Grants and Contributions not Restricted			1,977,170
IE	Investment Earnings			6,263
MI	Miscellaneous Local and Intermediate Revenue			366,882
TR	Total General Revenues			31,164,301
CN	Change in Net Position			(464,708)
NB	Net Position - Beginning			21,816,859
PA	Prior Period Adjustment - GASB 68 & 71 Pensions			(3,411,251)
NE	Net Position--Ending			\$ 17,940,900

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

LA FERIA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 5,359,088	\$ 265,015	\$ 44,993	\$ 5,669,096
1220 Property Taxes - Delinquent	865,072	158,635	-	1,023,707
1230 Allowance for Uncollectible Taxes (Credit)	(25,952)	(4,759)	-	(30,711)
1240 Receivables from Other Governments	2,111,233	-	357,892	2,469,125
1260 Due from Other Funds	670,199	541,993	27,135	1,239,327
1290 Other Receivables	30,044	-	7,168	37,212
1300 Inventories	147,453	-	-	147,453
1410 Prepayments	165,854	-	-	165,854
1000 Total Assets	<u>\$ 9,322,991</u>	<u>\$ 960,884</u>	<u>\$ 437,188</u>	<u>\$ 10,721,063</u>
LIABILITIES				
2110 Accounts Payable	\$ 640,011	\$ -	\$ 65,442	\$ 705,453
2150 Payroll Deductions and Withholdings Payable	430,387	-	-	430,387
2160 Accrued Wages Payable	617,205	-	98,656	715,861
2170 Due to Other Funds	991,380	52,676	195,271	1,239,327
2180 Due to Other Governments	572,309	742,322	-	1,314,631
2000 Total Liabilities	<u>3,251,292</u>	<u>794,998</u>	<u>359,369</u>	<u>4,405,659</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	839,120	153,876	-	992,996
2600 Total Deferred Inflows of Resources	<u>839,120</u>	<u>153,876</u>	<u>-</u>	<u>992,996</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	147,453	-	-	147,453
3430 Prepaid Items	165,854	-	-	165,854
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	769,664	-	-	769,664
3480 Retirement of Long-Term Debt	-	12,010	-	12,010
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	77,819	77,819
3600 Unassigned Fund Balance	4,149,608	-	-	4,149,608
3000 Total Fund Balances	<u>5,232,579</u>	<u>12,010</u>	<u>77,819</u>	<u>5,322,408</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 9,322,991</u>	<u>\$ 960,884</u>	<u>\$ 437,188</u>	<u>\$ 10,721,063</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, 2015

Total Fund Balances - Governmental Funds	\$	5,322,408
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. the cost of these assets was \$67,229,997 and the accumulated depreciation was \$21,092,222.		46,137,775
2 Long-term liabilities including bonds, tax maintenance notes, property finance contract payable and accrued interest on long-term liabilities are not due and payable in the current period and are not reported as liabilities in the funds.		(31,485,532)
3 Long-term liabilities for compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(170,390)
4 Property taxes receivable that will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.		992,996
5 Gains/losses on defeasance of debt are recognized as deferred credits or charges and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, as an increase or (decrease) in net position. The District has deferred charges on refundings of \$261,590 from various debt refundings which are not reported in the funds.		261,590
6 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB Statement No. 68 in the amount of \$(3,010,800), a deferred resource outflow related to TRS in the amount of \$921,013, and a deferred resource inflow related to TRS in the amount of \$(813,866). This resulted in a decrease in net position of \$(3,117,947).		(3,117,947)
19 Net Position of Governmental Activities	\$	17,940,900

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, 2015

EXHIBIT C-3

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 4,810,200	\$ 507,334	\$ 388,959	\$ 5,706,493
5800 State Program Revenues	25,782,899	1,303,667	372,593	27,459,159
5900 Federal Program Revenues	3,143,092	-	2,563,771	5,706,863
5020 Total Revenues	<u>33,736,191</u>	<u>1,811,001</u>	<u>3,325,323</u>	<u>38,872,515</u>
EXPENDITURES:				
Current:				
0011 Instruction	16,886,216	-	2,223,458	19,109,674
0012 Instructional Resources and Media Services	390,513	-	21,146	411,659
0013 Curriculum and Instructional Staff Development	448,291	-	296,931	745,222
0021 Instructional Leadership	582,244	-	7,089	589,333
0023 School Leadership	2,079,870	-	86,296	2,166,166
0031 Guidance, Counseling and Evaluation Services	745,921	-	76,130	822,051
0032 Social Work Services	74,734	-	-	74,734
0033 Health Services	385,977	-	-	385,977
0034 Student (Pupil) Transportation	1,224,098	-	-	1,224,098
0035 Food Services	2,464,203	-	-	2,464,203
0036 Extracurricular Activities	1,656,427	-	238,647	1,895,074
0041 General Administration	1,072,881	-	-	1,072,881
0051 Facilities Maintenance and Operations	4,498,908	-	5,242	4,504,150
0052 Security and Monitoring Services	45,457	-	-	45,457
0053 Data Processing Services	714,438	-	-	714,438
0061 Community Services	1,133	-	372,495	373,628
Debt Service:				
0071 Principal on Long Term Debt	202,847	1,875,000	-	2,077,847
0072 Interest on Long Term Debt	131,393	1,007,567	-	1,138,960
0073 Bond Issuance Cost and Fees	-	302,963	-	302,963
Capital Outlay:				
0081 Facilities Acquisition and Construction	302,684	-	-	302,684
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	457,277	-	-	457,277
0095 Payments to Juvenile Justice Alternative Ed. Prg.	15,802	-	-	15,802
0099 Other Intergovernmental Charges	55,869	-	-	55,869
6030 Total Expenditures	<u>34,437,183</u>	<u>3,185,530</u>	<u>3,327,434</u>	<u>40,950,147</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(700,992)</u>	<u>(1,374,529)</u>	<u>(2,111)</u>	<u>(2,077,632)</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	12,490,000	-	12,490,000
7915 Transfers In	-	650,000	-	650,000
7916 Premium or Discount on Issuance of Bonds	-	1,197,313	-	1,197,313
8911 Transfers Out (Use)	(650,000)	-	-	(650,000)
8949 Other (Uses)	-	(13,359,406)	-	(13,359,406)
7080 Total Other Financing Sources (Uses)	<u>(650,000)</u>	<u>977,907</u>	<u>-</u>	<u>327,907</u>
1200 Net Change in Fund Balances	<u>(1,350,992)</u>	<u>(396,622)</u>	<u>(2,111)</u>	<u>(1,749,725)</u>
0100 Fund Balance - September 1 (Beginning)	<u>6,583,571</u>	<u>408,632</u>	<u>79,930</u>	<u>7,072,133</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 5,232,579</u>	<u>\$ 12,010</u>	<u>\$ 77,819</u>	<u>\$ 5,322,408</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, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	(1,749,725)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets, \$1,760,228, is allocated over their useful lives as depreciation expense which totaled \$1,017,974 for the year. This is the amount of capital assets in excess of depreciation expense in the current period.		(742,254)
Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues in the governmental funds. This is the change in unearned tax revenues in the governmental funds.		4,998
Repayment of bond principal is an expenditure in the funds but is not an expense in the statement of activities.		2,077,847
The issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The District issued 2014A, 2014B and 2015 refunding bonds during the current fiscal year in the amount of \$12,490,000 and the bonds sold at premiums aggregating an additional \$1,197,313. This is the total amount of other financing resources eliminated from the governmental funds.		(13,687,313)
The payment to the fiscal agent (other financing use) used current financial resources in the governmental funds but in the statement of activities there was no such utilization. Instead new debt replaced existing debt. This is the amount of the payment to the escrow agent to defease the existing debt outstanding in the current fiscal year.		13,359,406
Governmental funds report the effect of premiums, discounts, gains and losses on debt transactions when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of the current period amortization of those items.		57,610
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. This is the change in accrued interest payable for the year.		(30,746)
Some expenses such as the effect of changes in compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(47,835)
The implementation of GASB Statement No. 68 required that certain expenditures be de-expended and recorded as deferred resource inflows. These contributions made after the measurement date of August 31, 2014 caused the change in the ending net position to increase in the amount of \$571,598. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded as an expense. The net pension expense decreased the change in net position by \$278,294. The result of these amounts is to increase the change in net position by \$293,304.		293,304
Change in Net Position of Governmental Activities	\$	(464,708)

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, 2015

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 175,640	\$ 68,975
Other Receivables	723	2,228
Restricted Assets	-	1,305,559
Total Assets	<u>176,363</u>	<u>\$ 1,376,762</u>
LIABILITIES		
Accounts Payable	-	\$ 2,817
Due to Student Groups	14,577	68,386
Payable from Restricted Assets	-	1,305,559
Total Liabilities	<u>14,577</u>	<u>\$ 1,376,762</u>
NET POSITION		
Restricted for Scholarships	<u>161,786</u>	
Total Net Position	<u>\$ 161,786</u>	

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

NOTES TO FINANCIAL STATEMENTS

(This page intentionally left blank.)

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

NOTE A - REPORTING ENTITY

The La Feria Independent School District (the "District") is an independent public education agency operating under applicable laws and regulations of the State of Texas. This report includes the financial statements of the funds required to account for those activities, organizations and functions, which are related to 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 is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the District's financial reporting entity. Based on these considerations, no other entities have been included in the District's financial reporting entity. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other government or other type of reporting entity.

The criteria used to determine whether an organization is a component unit of the District includes: financial accountability of the District for the component unit, appointment of a voting majority, fiscal dependency, ability to impose the District's will on the component unit, and whether there is a financial benefit or burden to the District. The District has no component units based upon this criteria.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

La Feria Independent School District's (the "District") basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America 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. *Government-Wide Statements and Fund Financial Statements*

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

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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

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

The government-wide 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.

The District reports the following major governmental fund:

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 debt of governmental funds in a debt service fund.

In addition, the District reports the following fund types:

Governmental Funds:

Special Revenue Funds: The District accounts for resources restricted to, or designated for, a 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 must be returned to the grantor at the close of specified project periods.

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental Funds - Continued

Capital Projects Fund. The District uses this fund to account for bond proceeds used for construction. The District has no capital projects fund, at the present time.

Fiduciary Funds:

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

Private Purpose Trust Funds: The District accounts for donations for which the donor stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the Scholarship Fund.

Agency Funds: The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the Student Activity Fund, UIL Clearing Fund and the South Texas Health Cooperative.

Fiduciary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into restricted net position (held in trust) and unrestricted net position. The agency funds record only assets and liabilities and use the accrual basis of accounting to recognize receivables and payables. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements 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.

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. *New Accounting Standards Adopted*

In fiscal year 2015, the District adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.*
- Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:

1. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
2. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
3. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made regarding the particular presentation requirements depending upon the type of pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements.

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The adoption of Statement No. 67 has no impact on the District's financial statements.

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirement of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the District's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liability and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement.

Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

There was no impact on the District's financial statements as a result of the implementation of Statement No. 69.

Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 70.

Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the District's fiscal year-end, the effect from the District's reported contributions to the plan subsequent to the respective measurement date of the plan was an increase in deferred outflow of resources and a decrease in net position.

4. *Budgets*

The official school budget was prepared for adoption for required Governmental Fund types by August 31, 2014. 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.

5. *Cash and Cash Equivalents*

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

6. *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.

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

7. *Inventory*

Inventory is valued at cost (average). The District accounts for school supply and food inventories by using the consumption method whereby expenditures are recognized only when inventory items are used. Maintenance supplies inventory is accounted for by using the purchase method whereby purchases of inventories are recognized as expenditures when the goods are received and the transaction is vouchered. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

8. *Prepayments*

Prepayments are prepaid expenses that will benefit periods beyond August 31, 2015. The only prepaid expenses included are for unexpired insurance policy premiums paid by August 31, 2015, and which extend beyond that date. The reported prepaid insurance is 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.

9. *Capital Assets*

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

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

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

10. *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. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

11. *Long-term Obligations*

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

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

12. *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.

13. *Compensated Absences*

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

14. *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.

15. *Data Control Codes*

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

16. *Fund Balance Reporting*

The District's policy 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. In addition to the nonspendable fund balance, the policy has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

- **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. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution.
- **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 or the Assistant Superintendent for Business Services.
- **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.

17. ***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 31st and encumbrances outstanding at that time are either cancelled or appropriately provided for in the subsequent year's budget.

Outstanding encumbrances that were provided for in the subsequent year's budget are presented below:

General Fund	\$60,825
--------------	----------

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

18. *Deferred Outflows and Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, *deferred outflow of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first is the deferred charge on refunding which is reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter live of the refunded or refunding debt. The second is deferred outflows of resources for TRS pension which are also reported in the government-wide statement of net position. This deferred outflow results from pension plan contributions made after the measurement date of the net pension liability as well as the results of differences between expected and actuarial experiences and assumptions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first is unavailable revenue from property taxes which is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that they become available. The second is deferred inflows of resources for TRS pension which is reported in the government-wide statement of net position and results primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.

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, investment practices of the District were in accordance with local 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.

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE C – DEPOSITS AND INVESTMENTS - Continued

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’s 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.

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 reasonable 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 .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, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$290,711, including fiduciary funds and the bank balance was \$533,633. The District's cash deposits at August 31, 2015 and during the year ended August 31, 2015 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The District also had \$6,919,218 in Lone Star Investment Pool at August 31, 2015.

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE C – DEPOSITS AND INVESTMENTS – Continued

The District's cash deposits at August 31, 2015 are maintained primarily at BBVA Compass Bank, La Feria, Texas. These deposits were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank. The 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. Deposits were properly secured at all times.

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

- a. Depository: BBVA Compass Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$1,602,504.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$1,483,223 and occurred during the month of October 2014.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$426,363.

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. In accordance to the District's local policy, the District uses final and weighted-average maturity limits and diversification. It manages its exposure to interest rate risk 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. The District's policy in using final and weighted-average-maturity limits helps reduce exposure to changes in interest rates that could adversely affect the value of investments.

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	<u>\$6,919,218</u>	N/A	Daily

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	<u>\$6,919,218</u>	AAA	100%

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE C – DEPOSITS AND INVESTMENTS – Continued

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

The First Public (Lone Star Investment Pool or Lone Star) is a public funds investment pool operated under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended (the “Act”). Lone Star is governed by trustees comprised of active participants in Lone Star. The Board of Trustees for Lone Star has the responsibility for adopting and monitoring compliance with the investment policy, of appointing investment officers, of overseeing the selection of an investment advisor, custodian, investment consultant, administrator and other service providers. Each Lone Star fund has earned Standard & Poor’s highest rating (AAA), which meets the standards set by the Public Funds Investment Act.

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

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.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. The District’s 2015 tax rate was \$1.17 for maintenance and \$.1291 for debt service per \$100 assessed valuation. The 2015 assessed valuation was \$349,382,936. 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, 2015 outstanding taxes in the general fund and debt service fund was \$865,072 and \$158,635 with a corresponding allowance for doubtful accounts of \$25,952 and \$4,759.

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE E – DUE FROM AND TO OTHER GOVERNMENTS AND AGENCIES

	Due From	Due To
<u>Governmental Funds:</u>		
<i>General Fund:</i>		
Texas Education Agency:		
Foundation revenues	\$1,507,777	\$ 540,561
National School Lunch and Breakfast Programs	79,209	-
Other government agencies	-	31,748
SHARS	<u>524,247</u>	<u>-</u>
	2,111,233	572,309
<i>Debt Service Fund:</i>		
Texas Education Agency – EDA	-	52,192
Texas Education Agency – IFA	<u>-</u>	<u>690,130</u>
	-	742,322
<i>Other Governmental Funds:</i>		
Texas Education Agency:		
ESEA, Title I, Part A – Improving Basic Programs	199,380	-
ESEA, Title I, Part C – Migratory Children	44,833	-
ESEA, Title II, Part A – Teacher/Principal Training	34,869	-
Title III, Part A English Language Acquisition	6,825	-
Career and Technical Basic Grant	14,991	-
State Textbook	24,692	-
Region One ESC:		
GEAR-UP	<u>32,302</u>	<u>-</u>
	<u>357,892</u>	<u>-</u>
Total	<u>\$2,469,125</u>	<u>\$1,314,631</u>

NOTE F – DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2015, were as follows:

	Property Taxes, Net	Other Governments	Due from Other Funds	Other Receivables	Total Receivables
Governmental Activities:					
General Fund	\$ 839,120	\$2,111,233	\$ 670,199	\$ 30,044	\$3,650,596
Debt Service Fund	153,876	-	541,993	-	695,869
Other Funds	<u>-</u>	<u>357,892</u>	<u>27,135</u>	<u>7,168</u>	<u>392,195</u>
Total Governmental Activities	<u>\$ 992,996</u>	<u>\$2,469,125</u>	<u>\$1,239,327</u>	<u>\$ 37,212</u>	<u>\$4,738,660</u>

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE F – DISAGGREGATION OF RECEIVABLES AND PAYABLES - Continued

Payables at August 31, 2015, were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$ 640,011	\$1,047,592	\$ 991,380	\$ 572,309	\$3,251,292
Debt Service Fund	-	-	52,676	742,322	794,998
Other Funds	<u>65,442</u>	<u>98,656</u>	<u>195,271</u>	-	<u>359,369</u>
Total Governmental Activities	<u>\$ 705,453</u>	<u>\$1,146,248</u>	<u>\$1,239,327</u>	<u>\$1,314,631</u>	<u>\$4,405,659</u>

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2015, was as follows:

	<u>General Capital Assets Sept. 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>General Capital Assets Aug. 31, 2015</u>
Governmental activities				
Capital assets not being depreciated				
Land and improvements	\$ 2,887,027	\$ -	\$ -	\$ 2,887,027
Total capital assets not being depreciated	2,887,027	-	-	2,887,027
Capital assets being depreciated				
Building and improvements	58,332,902	295,240	-	58,628,142
Furniture and equipment	4,992,094	722,733	-	5,714,827
Total capital assets being depreciated	63,324,996	1,017,973	-	64,342,969
Less accumulated depreciation:				
Building and improvements	16,200,637	1,347,473	-	17,548,110
Furniture and equipment	3,131,357	412,755	-	3,544,112
Total accumulated depreciation	19,331,994	1,760,228	-	21,092,222
Total capital assets being depreciated, net	43,993,002	(742,255)	-	43,250,747
Governmental activities capital assets, net	<u>\$46,880,029</u>	<u>\$ (742,255)</u>	<u>\$ -</u>	<u>\$46,137,774</u>

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE G – CAPITAL ASSETS - Continued

Depreciation was charged to the following functions:

Governmental Activities:

11 – Instruction	\$ 911,726
12 – Instructional Resources and Media Services	11,838
13 – Curriculum and Staff Development	4,714
21 – Instructional Leadership	9,429
23 – School Leadership	94,950
31 – Guidance, Counseling and Evaluation Services	23,749
33 – Health Services	27,363
34 – Student (Pupil) Transportation	206,483
35 – Food Services	169,144
36 – Cocurricular/Extracurricular Activities	13,873
41 – General Administration	7,967
51 – Plant Maintenance and Operations	249,946
52 – Security and Monitoring Services	1,571
53 – Data Processing Services	7,858
61 – Community Services	<u>19,617</u>
	<u>\$1,760,228</u>

NOTE H – RESTRICTED ASSETS

Restricted assets of \$1,305,559 at August 31, 2015, consisted of restricted cash balances relating to the South Texas Health Cooperative for which the District serves as fiscal agent.

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE I - LONG-TERM OBLIGATIONS

Long-term obligations include bonds payable, loans payable, compensated absences, and net pension liability. Changes in long-term obligations for the year ended August 31, 2015 are as follows:

<u>Governmental Activities</u>	<u>Beginning Balance Sept. 1, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance Aug. 31, 2015</u>	<u>Due Within One Year</u>
Unlimited Tax Refunding Bonds – Series 2005	\$ 5,125,000	\$ -	\$ 4,415,000	\$ 710,000	\$ 710,000
Unlimited Tax School Building Bonds – Series 2005	9,850,000	-	9,590,000	260,000	260,000
Unlimited Tax Refunding Bonds – Series 2006	3,465,000	-	365,000	3,100,000	380,000
Unlimited Tax School Building Bonds – Series 2008	11,065,000	-	275,000	10,790,000	280,000
Unlimited Tax Refunding Bonds – Series 2014A	-	3,595,000	75,000	3,520,000	40,000
Unlimited Tax Refunding Bonds – Series 2014B	-	3,585,000	80,000	3,505,000	35,000
Unlimited Tax Refunding Bonds – Series 2015	<u>-</u>	<u>5,310,000</u>	<u>135,000</u>	<u>5,175,000</u>	<u>60,000</u>
Total general obligation bonds	29,505,000	12,490,000	14,935,000	27,060,000	1,765,000
Premium on issuance of bonds	208,111	1,197,313	176,160	1,229,264	132,887
Discount on issuance of bonds	<u>(5,424)</u>	<u>-</u>	<u>(4,435)</u>	<u>(989)</u>	<u>(989)</u>
Subtotal on bonds	29,707,687	13,687,313	15,106,725	28,288,275	1,896,898
Maintenance tax notes	1,545,000	-	45,000	1,500,000	55,000
Premium on maintenance tax notes	31,151	-	2,937	28,214	2,442
Property finance contract	1,658,396	-	157,847	1,500,549	163,881
Compensated absences	122,555	52,677	4,842	170,390	73,357
Net pension liability	<u>3,692,993</u>	<u>-</u>	<u>682,193</u>	<u>3,010,800</u>	<u>-</u>
	<u>\$36,757,782</u>	<u>\$13,739,990</u>	<u>\$15,999,544</u>	<u>\$34,498,228</u>	<u>\$2,191,578</u>

**Per GASB 68, beginning balance for net pension liability includes the restatement of net pension liability at September 1, 2014.*

The District's other non-current liabilities including compensated absences are liquidated in the fund where the liability was incurred. Thus, the general fund satisfies most liabilities for governmental activities.

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE I - LONG-TERM OBLIGATIONS - Continued

General Obligation Bonds:

Bonds payable at August 31, 2015 are comprised of the following individual issues:

<p>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. During the current school year, the principal payments due from 2017 through 2027 were defeased by the issuance of the 2014A refunding bonds described below. The balance outstanding is the principal payment due during the school year ending August 31, 2016.</p>	<p>\$ 710,000</p>
<p>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. During the school year, the principal payments due from 2017 through 2038 were defeased by the issuance of the 2014B and 2015 refunding bonds described below. The balance outstanding is the principal payment due during the school year ending August 31, 2016.</p>	<p>260,000</p>
<p>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.</p>	<p>3,100,000</p>
<p>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.</p>	<p>10,790,000</p>
<p>The District issued \$3,595,000 Series 2014A refunding bonds with interest ranging from 2% to 4% to advance refund \$3,720,000 of the 2005 refunding bonds outstanding. These bonds mature February 15, 2027.</p>	<p>3,520,000</p>
<p>The District issued \$3,585,000 Series 2014B refunding bonds with interest ranging from 2% to 4% to advance refund \$3,745,000 of the 2005 school building bonds outstanding. These bonds mature February 15, 2037.</p>	<p>3,505,000</p>
<p>The District issued \$5,310,000 Series 2015 refunding bonds with interest ranging from 2% to 4% to advance refund \$5,595,000 of the 2005 school building bonds outstanding. These bonds mature February 15, 2037.</p>	<p><u>5,175,000</u> <u>\$27,060,000</u></p>

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE I - LONG-TERM OBLIGATIONS - Continued

Advance Refunding

During the current school year, the Board approved and issued \$12,490,000 in Unlimited Tax Refunding Bonds, 2014A, 2014B and Series 2015 for the purpose of refunding a portion of the District's outstanding bonds Series 2005 and to provide resources to cover costs of issuance to purchase qualifying securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the accounts of the District. The refunding bonds were sold at premiums in the amount of \$1,197,313. The cost of issuance totaled \$301,256. Principal payments range from \$135,000 to \$690,000 plus interest and interest rates range from 2% to 4%.

The advance refunding was undertaken to reduce total debt service payments over the next 22 years by \$2,291,416 to obtain an economic gain (difference between the present value of the debt service payment of the refunded and refunding bonds) of \$1,787,538.

In prior years, the District defeased certain outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the respective trust account assets and related liabilities for the defeased bonds are not included in the District's financial statements. At August 31, 2015, the following outstanding bonds are considered defeased:

<u>Series</u>	<u>Ending Balance</u>
1997 Building	\$3,120,000
2005 Refunding	\$3,720,000
2005 Building	\$9,340,000
<u>Public Facilities Corporation</u>	
1999	\$ 835,000
2000	\$ 171,000
2001	\$2,795,000
2002	\$ 720,000

Debt service requirements on long-term debt at August 31, 2015 are as follows:

Year Ending <u>August 31,</u>	<u>General Obligation Bonds</u>		<u>Other Long-term Debt</u>		<u>Total Requirements</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,765,000	\$ 3,431,844	\$ 218,881	\$ 113,891	\$ 1,983,881	\$ 3,545,735
2017	1,280,000	2,284,463	230,146	106,476	1,510,146	2,390,939
2018	1,305,000	2,259,501	236,651	98,471	1,541,651	2,357,972
2019	1,345,000	2,248,124	243,405	89,917	1,588,405	2,338,041
2020	1,410,000	2,259,619	255,416	80,869	1,665,416	2,340,488
2021-2025	5,665,000	9,132,423	971,050	260,380	6,636,050	9,392,803
2026-2030	4,900,000	7,401,612	435,000	134,775	5,335,000	7,536,387
2031-2035	5,890,000	7,336,327	410,000	37,788	6,300,000	7,374,115
2036-2038	<u>3,500,000</u>	<u>3,762,357</u>	<u>-</u>	<u>-</u>	<u>3,500,000</u>	<u>3,762,357</u>
Total	<u>\$27,060,000</u>	<u>\$40,116,270</u>	<u>\$3,000,549</u>	<u>\$ 922,567</u>	<u>\$30,060,549</u>	<u>\$41,038,837</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, 2015.

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE J - REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Debt Service Funds	Other Funds	Total
Property taxes	\$4,226,399	\$ 482,459	\$ -	\$4,708,858
Food sales	138,425	-	169	138,594
Investment income	5,638	168	457	6,263
Penalties and interest	151,669	24,707	-	176,376
Co-curricular student activities	68,567	-	388,225	456,792
Shared service arrangement	206,445	-	-	206,445
Other	<u>13,057</u>	<u>-</u>	<u>108</u>	<u>13,165</u>
	<u>\$4,810,200</u>	<u>\$ 507,334</u>	<u>\$ 388,959</u>	<u>\$5,706,493</u>

NOTE K – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

	Statement of Net Position Governmental Activities	Balance Sheet - Governmental Funds	
		General Fund	Nonmajor Fund
Deferred outflows of resources:			
Deferred outflows from pension activities	\$ 813,866	\$ -	\$ -
Deferred charge for refunding	<u>261,590</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>\$1,075,456</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred inflows of resources:			
Deferred inflows from pension activities	\$ 921,013	\$ -	\$ -
Unavailable property taxes	<u>-</u>	<u>839,120</u>	<u>153,876</u>
Total deferred inflows of resources	<u>\$ 921,013</u>	<u>\$839,120</u>	<u>\$153,876</u>

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE L – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances at August 31, 2015 were:

<u>Due to</u>	<u>Due From</u>	
General Fund	Other Funds	\$ 27,135
General Fund	Debt Service Fund	541,993
General Fund	Funds within the general fund	<u>422,252</u>
		991,380
Debt Service Fund	Funds within the general fund	52,676
Other Funds	Funds within the general fund	1,565
Other Funds	General Fund	<u>193,706</u>
		<u>195,271</u>
		<u>\$1,239,327</u>
Transfers to Debt Service Fund from:		
General Fund		<u>\$ 650,000</u>

The remaining balances resulted from a routine lag between the dates that transactions such as year-end payroll accruals and worker’s compensation adjustment payments are made between the funds.

All amounts are scheduled to be repaid within one year.

NOTE M - GENERAL FUND FEDERAL SOURCE REVENUES

Federally financed programs are generally accounted for in the Other Governmental Funds of the District, except for indirect costs charged to federal programs which are accounted for in the General Fund as prescribed by the TEA and certain direct revenues. The District recognized in the General fund such revenues for the year ended August 31, 2015, from various federal sources as follows:

<u>Programs or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
School Breakfast Program	10.553	\$ 789,064
National School Lunch Program	10.555	1,529,169
USDA – Donated Commodities	10.565	170,903
Indirect costs earned on federal programs:		
ESEA Title I, Part C Migrant	84.011	4,468
Career and Technical – Basic Grant	84.048	1,161
SHARS/Medicaid	-	626,666
Medicaid Administrative Claim	-	<u>21,661</u>
		<u>\$3,143,092</u>

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE P – DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE P – DEFINED BENEFIT PENSION PLAN - Continued

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

	<u>Contribution Rates</u>	
	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-employer contributing entity (state)	6.8%	6.8%
Employer	6.8%	6.8%

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

Employer Contributions	\$ 285,767
Member Contributions	\$1,300,097
Nonemployer contributing agency (state) Contributions	\$1,105,946

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

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

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE P – DEFINED BENEFIT PENSION PLAN - Continued

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

**Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE P – DEFINED BENEFIT PENSION PLAN – Continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long-term Expected Portfolio Real Rate of Return*</u>
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U. S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha	<u>-</u>		<u>1.0%</u>
Total	<u>100%</u>		<u>8.7%</u>

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

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE P – DEFINED BENEFIT PENSION PLAN – Continued

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease In Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$5,380,118	\$3,010,800	\$1,238,992

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

At August 31, 2014, the District reported a liability of \$3,010,800 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 3,010,800
State's proportionate share that is associated with the District	<u>11,676,975</u>
Total	<u>\$14,687,775</u>

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was .0112716%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE P – DEFINED BENEFIT PENSION PLAN – Continued

For the year ended August 31, 2015, the District recognized pension expense of \$1,079,515 and revenue of \$1,079,515 for support provided by the State.

At August 31, 2015, the District reports its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 46,563	\$ -
Changes in actuarial assumptions	195,705	-
Difference between projected and actual investment earnings	-	920,224
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>-</u>	<u>789</u>
Total net amounts per August 31, 2014 measurement date	242,268	921,013
Contributions paid to TRS subsequent to the measurement date	<u>571,598</u>	<u>-</u>
Total	<u>\$813,866</u>	<u>\$921,013</u>

The \$571,598 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2016. The net amounts of the employer's balances of deferred outflows and inflows of resources related to the other pension differences and changes described above will be recognized in pension expense as follows:

<u>Pension Plan Years Ended August 31:</u>	<u>Pension Expense Amount</u>
2015	\$(189,318)
2016	(189,318)
2017	(189,318)
2018	(189,318)
2019	40,737
Thereafter	37,790

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE Q – RETIREE HEALTH CARE PLAN

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2014–2012.

Fiscal Year	Contribution Rates and Contribution Amounts						
	Member		State on-behalf		District		Covered Payroll
	Rate	Amount	Rate	Amount	Rate	Amount	
2015	6.500%	\$137,690	1.000%	\$211,832	0.550%	\$116,507	\$21,183,150
2014	6.500%	132,041	1.000%	203,140	0.550%	111,727	20,314,011
2013	6.500%	129,847	.500%	199,774	0.550%	109,876	19,977,399

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Subsidy payments received by TRS-Care on behalf of the District are shown in the table below for fiscal years 2015-2013.

Fiscal Year	Medicare Part D
2015	\$90,081
2014	55,901
2013	47,376

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

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE R - RISK MANAGEMENT

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

Health Coverage

The District provides the employees with a health insurance plan. The District paid premiums of \$346 per month per employee, and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to South Texas Health Cooperative which was formed in 1999 by several school districts. The cooperative is governed by a board of directors composed of the superintendents of the member districts. Claims are processed by Maxor Administrative Services and reinsurance has been obtained for specific claims in excess of \$300,000 with no aggregate limit through American Alternative Insurance Corporation. 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 2016 school year remains at \$346.

NOTE S - JOINT VENTURE - SHARED SERVICE ARRANGEMENTS

The District participates in the Mercedes ISD Special Education Cooperative to provide special education services. The District contributed \$457,277 to the cooperative for school year 2015 and the funds were expended for payroll costs, purchased and contracted services, supplies and materials, and miscellaneous operating expenses.

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

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. The purpose for this committed fund balance is to ensure the availability of these funds for each campus.

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

Unassigned – the unassigned fund balance has no constraints.

	General Fund	Other Governmental Funds		Total Governmental Funds
		Debt Service	Other Funds	
Fund balances:				
Nonspendable:				
Inventories	\$ 147,453	\$ -	\$ -	\$ 147,453
Prepaid expenses	165,854	-	-	165,854
Restricted:				
Food service	769,664	-	-	769,664
Debt service	-	12,010	-	12,010
Committed:				
Campus activity funds	-	-	77,819	77,819
Unassigned:	<u>4,149,608</u>	<u>-</u>	<u>-</u>	<u>4,149,608</u>
	<u>\$5,232,579</u>	<u>\$ 12,010</u>	<u>\$ 77,819</u>	<u>\$5,322,408</u>

NOTE U – PRIOR PERIOD ADJUSTMENT

Change in Accounting Principle

During fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teacher Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior adjustment is \$(3,411,251). The restated beginning net position is \$18,405,608.

NOTE V – SUBSEQUENT EVENT

The District is working with their financial advisors and architects on plans to present to the voters of the district in May 2016 for renovations to C E Vail and campuses in an amount not to exceed \$14,000,000. The priorities for these campuses are the result of a District facilities committee assessment that was conducted during the current school year.

(This page intentionally left blank)

**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, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 4,564,926	\$ 4,818,926	\$ 4,810,200	\$ (8,726)
5800	State Program Revenues	25,289,073	25,289,073	25,782,899	493,826
5900	Federal Program Revenues	3,187,050	3,227,550	3,143,092	(84,458)
5020	Total Revenues	33,041,049	33,335,549	33,736,191	400,642
EXPENDITURES:					
Current:					
0011	Instruction	16,099,970	16,492,356	16,886,216	(393,860)
0012	Instructional Resources and Media Services	533,880	393,880	390,513	3,367
0013	Curriculum and Instructional Staff Development	296,545	446,545	448,291	(1,746)
0021	Instructional Leadership	479,700	584,700	582,244	2,456
0023	School Leadership	1,950,100	2,080,100	2,079,870	230
0031	Guidance, Counseling and Evaluation Services	810,455	747,455	745,921	1,534
0032	Social Work Services	93,350	76,350	74,734	1,616
0033	Health Services	458,885	386,885	385,977	908
0034	Student (Pupil) Transportation	1,246,900	1,218,900	1,224,098	(5,198)
0035	Food Services	2,504,700	2,585,700	2,464,203	121,497
0036	Extracurricular Activities	1,400,782	1,590,282	1,656,427	(66,145)
0041	General Administration	1,027,370	1,082,370	1,072,881	9,489
0051	Facilities Maintenance and Operations	3,958,420	4,494,620	4,498,908	(4,288)
0052	Security and Monitoring Services	50,500	50,500	45,457	5,043
0053	Data Processing Services	445,600	732,600	714,438	18,162
0061	Community Services	14,800	4,800	1,133	3,667
Debt Service:					
0071	Principal on Long Term Debt	203,813	203,813	202,847	966
0072	Interest on Long Term Debt	131,500	131,500	131,393	107
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	302,500	302,684	(184)
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	460,000	457,300	457,277	23
0095	Payments to Juvenile Justice Alternative Ed. Prg.	35,000	17,000	15,802	1,198
0099	Other Intergovernmental Charges	58,000	56,500	55,869	631
6030	Total Expenditures	32,260,270	34,136,656	34,437,183	(300,527)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	780,779	(801,107)	(700,992)	100,115
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(500,000)	(500,000)	(650,000)	(150,000)
1200	Net Change in Fund Balances	280,779	(1,301,107)	(1,350,992)	(49,885)
0100	Fund Balance - September 1 (Beginning)	6,583,571	6,583,571	6,583,571	-
3000	Fund Balance - August 31 (Ending)	\$ 6,864,350	\$ 5,282,464	\$ 5,232,579	\$ (49,885)

LA FERIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
YEAR ENDED AUGUST 31, 2015

District's proportion of the net pension liability (asset)	.0112716%
District's proportionate share of net pension liability (asset)	\$ 3,010,800
State's proportionate share of the net pension liability (asset) associated with the District	<u>11,676,975</u>
Total	<u>\$14,687,775</u>
District's covered employee payroll	\$20,314,011
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	14.82%
Plan fiduciary net position as a percentage of the total pension liability	83.25%

Note: GASB 68, paragraph 81.2.a requires that the data on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 – the period from September 1, 2013 – August 31, 2014.

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

LA FERIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
YEAR ENDED AUGUST 31, 2015

Contractually required contribution	\$567,023
Contribution in relation to the contractually required contribution	(571,598)
Contribution deficiency (excess)	\$ <u>(4,575)</u>
 District's covered employee payroll	 \$21,183,150
Contributions as a percentage of covered employee payroll	2.68%

Note: GASB 68, paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 – August 31, 2014.

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

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2015

Stewardship, compliance, and accountability

I. Budgetary information

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

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

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

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

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
YEAR ENDED AUGUST 31, 2015

Over the course of the year, the District revised the budget numerous times. Even with these adjustments, actual expenditures were \$300,527 in excess of final budget expenditures due primarily to the unfavorable variance of \$(393,860) in instruction which was the result of prepaid instructional supplies and textbooks at August 31, 2014 which the District did not expense during the current school year. There were also unfavorable variances in functions 13 curriculum and instructional staff development, 36 extracurricular activities, 51 plant maintenance and operations and 81 facilities acquisition and construction that were the result of audit adjusting entries which recorded additional accounts payable at year end. The District staff relied on the invoice date to record accounts payable rather than looking at the actual date the goods or services were received which resulted in additional accounts payable posted as audit adjusting journal entries. The unfavorable variance in function 34 student (pupil) transportation was the result of the year end entry for TRS on behalf payments being larger than anticipated when the final budget amendment was prepared. The most significant positive variance was in food service where costs were less than the original and amended budget amounts with reductions in support staff cost, contracted services and capital outlay as budgeted.

End-of-year outstanding encumbrances that were provided for in the subsequent year's budget for the general fund total \$60,825.

II. Pension

Changes in Assumptions – There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

**OTHER SUPPLEMENTARY
INFORMATION**

LA FERIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.249000	0.245000	266,839,324
2008	1.040000	0.245000	283,238,415
2009	1.040000	0.300000	300,434,726
2010	1.040000	0.296000	328,021,783
2011	1.040000	0.296000	331,039,817
2012	1.040000	0.296000	331,172,840
2013	1.040000	0.296000	335,392,755
2014	1.170000	0.129100	336,042,315
2015 (School year under audit)	1.170000	0.129100	349,382,936
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 176,378	\$ -	\$ 8,692	\$ 1,282	\$ (1,559)	\$ 164,845
33,823	-	1,945	382	(712)	30,784
34,171	-	2,142	504	(896)	30,629
51,316	-	3,170	914	(1,622)	45,610
67,255	-	10,808	3,076	(1,518)	51,853
82,127	-	15,961	4,542	2,546	64,170
103,073	-	21,101	6,006	964	76,930
157,825	-	46,154	11,538	1,696	101,829
312,586	-	131,047	14,460	(8,330)	158,749
-	4,835,123	4,067,709	448,839	(20,267)	298,308
<u>\$ 1,018,554</u>	<u>\$ 4,835,123</u>	<u>\$ 4,308,729</u>	<u>\$ 491,543</u>	<u>\$ (29,698)</u>	<u>\$ 1,023,707</u>

LA FERIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 140,000	\$ 140,000	\$ 138,611	\$ (1,389)
5800	State Program Revenues	20,000	20,000	25,314	5,314
5900	Federal Program Revenues	2,607,050	2,607,050	2,489,136	(117,914)
5020	Total Revenues	2,767,050	2,767,050	2,653,061	(113,989)
EXPENDITURES:					
0035	Food Services	2,504,700	2,585,700	2,464,203	121,497
0051	Facilities Maintenance and Operations	262,350	262,350	205,247	57,103
6030	Total Expenditures	2,767,050	2,848,050	2,669,450	178,600
1200	Net Change in Fund Balances	-	(81,000)	(16,389)	64,611
0100	Fund Balance - September 1 (Beginning)	863,436	863,436	863,436	-
3000	Fund Balance - August 31 (Ending)	\$ 863,436	\$ 782,436	\$ 847,047	\$ 64,611

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, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 600,000	\$ 600,000	\$ 507,334	\$ (92,666)
5800	State Program Revenues	1,799,300	1,799,300	1,303,667	(495,633)
5020	Total Revenues	2,399,300	2,399,300	1,811,001	(588,299)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	1,875,000	1,875,000	1,875,000	-
0072	Interest on Long Term Debt	1,018,300	1,018,300	1,007,567	10,733
0073	Bond Issuance Cost and Fees	6,000	337,000	302,963	34,037
6030	Total Expenditures	2,899,300	3,230,300	3,185,530	44,770
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(500,000)	(831,000)	(1,374,529)	(543,529)
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	-	12,490,000	12,490,000
7915	Transfers In	500,000	500,000	650,000	150,000
7916	Premium or Discount on Issuance of Bonds	-	331,000	1,197,313	866,313
8949	Other (Uses)	-	-	(13,359,406)	(13,359,406)
7080	Total Other Financing Sources (Uses)	500,000	831,000	977,907	146,907
1200	Net Change in Fund Balances	-	-	(396,622)	(396,622)
0100	Fund Balance - September 1 (Beginning)	408,632	408,632	408,632	-
3000	Fund Balance - August 31 (Ending)	\$ 408,632	\$ 408,632	\$ 12,010	\$ (396,622)

(This page intentionally left blank)

SINGLE AUDIT SECTION

(This page intentionally left blank.)

**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, 2015, 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 11, 2016.

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

(This page intentionally left blank.)

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which is described in the accompanying schedule of findings and questioned costs as item 2015-001.

In addition, we noted certain other matters that we reported to management of the La Feria Independent School District in a separate letter dated January 11, 2016.

La Feria Independent School District's Response to Findings

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

Purpose of this Report

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



LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
January 11, 2016

(This page intentionally left blank.)

**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, 2015. La Feria Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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, 2015.

(This page intentionally left blank.)

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 11, 2016

(This page intentionally left blank.)

LA FERIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	_____ yes	___X___ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	___X___ none reported
Noncompliance material to financial statements noted?	_____ yes	___X___ no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.553, 10.555 and 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?	___X___ yes	_____ no
----------------------------------------	-------------	----------

LA FERIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

<u>STATE COMPLIANCE FINDING</u>	<u>DESCRIPTION</u>
Reference Number: (2015-001)	State Compliance – Excess Expenditures Over Appropriations
Criteria:	State law requires budget amendments to be made prior to exceeding a function total.
Condition Found:	As indicated in the District’s financial statements, we noted six instances in which the District’s budget had been exceeded on a functional level in the general fund.
Questioned Costs/Basis:	Not applicable
Context:	We noted six negative variances in the general fund expenditures.
Effect:	The District incurred expenditures that are not budgeted in advance by the Board of Trustees.
Recommendation:	We recommend the District continue to closely monitor the budget on a monthly basis.

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, 2015

None noted that required to be reported.

(This page intentionally left blank.)

LA FERIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2015

STATE COMPLIANCE FINDING

Reference Number: (2015-001)

CORRECTIVE ACTION PLAN

The District CFO and accountant will review on a monthly basis expenditures by function for the general fund during the 2015-2016 fiscal year to curtail overages of expenditure at a function level.

Contact Person:

Ramon Mendoza,
Chief Financial Officer

Implementation Time Frame:

Ongoing

LA FERIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2015

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Region One ESC</u>			
GEAR UP	84.334S	P334A110180-13	\$ 89,616
Total Passed Through Region One ESC			\$ 89,616
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101031905	\$ 1,639,647
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101031905	108,987
TTL I 1003(A) Priority and Focus School Grant	84.010A	156101120319505002	115,291
TTL I 1003(A) Priority and Focus School Grant	84.010A	156101120319505103	16,000
Total CFDA Number 84.010A			1,879,925
ESEA, Title I, Part C - Migratory Children	84.011	15615001031905	245,475
Career and Technical - Basic Grant	84.048	15420006031905	61,844
Career and Technical - Basic Grant	84.048	16420006031905	14,991
Total CFDA Number 84.048			76,835
Title III, Part A - English Language Acquisition	84.365A	15671001031905	45,954
Title III, Part A - English Language Acquisition	84.365A	16671001031905	6,825
Total CFDA Number 84.365A			52,779
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501031905	191,730
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501031905	24,091
Total CFDA Number 84.367A			215,821
Summer School LEP	84.369A	69551402	3,320
Total Passed Through State Department of Education			\$ 2,474,155
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 2,563,771
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		\$ 21,661
Total Passed Through Texas Dept of Human Services			\$ 21,661
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 21,661
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 789,064
*National School Lunch Program - Cash Assistance	10.555		1,529,169
*National School Lunch Prog. - Non-Cash Assistance	10.555		170,903
Total CFDA Number 10.555			1,700,072
Total Child Nutrition Cluster			2,489,136
Total Passed Through the State Department of Agriculture			\$ 2,489,136
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 2,489,136
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,074,568</u>

*Clustered Programs

LA FERIA INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2015

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, and Summer Feeding Program, SHARS, MAC and indirect cost are 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

Total expenditures of federal awards, per Exhibit K-1	\$5,074,568
General Fund – Federal Revenue	
School Health and Related Services (SHARS) revenue	626,666
Indirect cost earned on federal programs	
Title I, Part C	4,468
Career and Technical – Basic Grant	<u>1,161</u>
Total Federal Revenues, per Exhibit C-3	<u>\$5,706,863</u>

SCHOOLS FIRST QUESTIONNAIRE

La Feria Independent School District

Fiscal Year 2015

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$3,010,800
SF13	Pension Expense (6147) at fiscal year-end.	\$278,294