

**LA FERIA
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL
AND
COMPLIANCE REPORT

JUNE 30, 2019

**La Feria Independent School District
Board of Trustees
June 30, 2019**

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La Feria Independent School District
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June 30, 2019

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INTRODUCTORY SECTION

CERTIFICATE OF BOARD

La Feria Independent School District
Name of School District

Cameron
County

031-905
Co.-Dist. Number

We the undersigned, do hereby certify that the attached annual financial reports of the above named school district were reviewed and X approved ___ disapproved for the year ended June 30, 2019 at a meeting of the board of school trustees of such school district on the 18th day of November, 2019.



Signature of Board Secretary



Signature of Board President

FINANCIAL SECTION



Carr, Riggs & Ingram, LLC
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
La Feria Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the La Feria Independent School District ("the District") as of and for the ten months ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position for the ten months then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Prior Period Adjustment

As described in Note 22 to the financial statements, the District determined that certain receivable balances consisted of an accumulation of prior year journal entries for which support could not be obtained. The District recorded a prior period adjustment in the amount of \$213,997 for the correction of this misstatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information of the General Fund, schedules related to the net pension and other post-employment liability, schedules related to the pension and other post-employment contribution information, and the related notes to the required supplementary information on pages 11–19 and 71–77 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 District's basic financial statements. The introductory section and the Texas Education Agency Required Schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Harlingen, Texas
November 18, 2019

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La Feria Independent School District Management's Discussion and Analysis

As management of the La Feria Independent School District, we offer this narrative overview of the District's financial performance during the ten months ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the independent auditors' report, and the District's Basic Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

The Board of Trustees approved a change in the District's fiscal year end from August 31st to June 30th. Therefore, fiscal year 2018-2019 reflects a 10-month period from September 1, 2018 to June 30, 2019. Prior year information was not restated and presents financial information for 12 months ended August 31.

The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent period by \$2,958,781 (net position), which is an increase from the prior year of \$2,754,719. The increase was primarily due to the District's change in fiscal year along with a reduction of personnel through attrition.

At the end of the current fiscal period, the District reported an ending fund balance in its general fund of \$7,983,271 which is an increase of \$2,540,379 from last year. There was a correction of an error that reduced the beginning general fund balance by \$213,997.

The District's Debt Service fund reported a fund balance of \$287,205 which resulted from TEA funding adjustments late in the current fiscal period relating to refunding bonds issued by the District in prior years.

The District received a "C-Meets Standard" rating for the Financial Integrity System of Texas (FIRST) for 2018-2019 which is a lower rating than the "B – Above Standard" rating received for 2017-2018. The FIRST rating evaluates quality of performance in the management of the school district's financial resources. The ratings for each year are based on the prior school year's data. The reason for the lower rating was the result of two indicators – 10 debt service coverage and 13 PEIMS to AFR comparison. The transfer from the general fund was made in the 2017-2018 school year was necessary to cover the debt service requirements after the voters approved a tax rollback election. As a result no points were earned for indicator 10. The District has increased its debt service tax rate for 2019-2020 so there should not be a problem with this indicator in the future. The issue with indicator 13 was a variance of more than 3% between PEIMS financial data and the Annual Financial Report for 2017-2018. New business office personnel and new PEIMS staff were not aware of the need to reconcile the data so variances were not resolved.

The District's current and delinquent property tax collections were 96.8% of the levy for the 2018 tax year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

La Feria Independent School District Management's Discussion and Analysis

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*. The District currently does not utilize any proprietary funds.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

La Feria Independent School District Management's Discussion and Analysis

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

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

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

Notes to Financial Statements

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

Required Supplementary Information

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

La Feria Independent School District Management's Discussion and Analysis

Texas Education Agency Required Schedules

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

Government-Wide Financial Analysis

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

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the period ended June 30, 2019, the District's assets and deferred outflows exceeded its liabilities and deferred inflows by \$2,958,781 which was an improvement over the prior year.

**Table I
Net Position Summary**

	Governmental Activities	
	June 2019	August 2018
Current and other assets	\$ 13,879,094	\$ 9,400,067
Capital assets	<u>41,819,117</u>	<u>42,266,125</u>
Total assets	<u>55,698,211</u>	<u>51,666,192</u>
Deferred outflows of resources	<u>6,821,937</u>	<u>3,214,115</u>
Other liabilities	6,615,662	2,898,585
Long-term liabilities	<u>47,147,947</u>	<u>45,453,706</u>
Total liabilities	<u>53,763,609</u>	<u>48,352,291</u>
Deferred inflows of revenues	<u>5,797,758</u>	<u>6,109,957</u>
Net investment in capital assets	16,863,157	15,847,106
Restricted	593,372	201,210
Unrestricted	<u>(14,497,748)</u>	<u>(15,630,257)</u>
Total net position	<u>\$ 2,958,781</u>	<u>\$ 418,059</u>

As depicted in Table I, a significant portion of the District's net position, \$16,863,157, reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$593,372, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(14,497,748) due to GASB No. 75 reporting the District's share of the Net OPEB liability.

Change in Net Position

Total net position of the District increased by \$2,754,718 before a prior period adjustment of \$213,997.

La Feria Independent School District Management's Discussion and Analysis

**Table II
Changes in Net Position**

Revenues	Governmental Activities	
	June 2019	August 2018
Program Revenues:		
Charges for services	\$ 376,544	\$ 477,179
Operating grants and contributions	9,028,424	1,139,665
General Revenues:		
Property taxes	5,048,430	5,106,923
State and other grants	26,273,813	26,889,579
Investment earnings	169,584	124,180
Miscellaneous local intermediate	<u>351,335</u>	<u>181,266</u>
Total Revenues	<u>41,248,130</u>	<u>33,918,792</u>
 Expenses		
Program Expenses:		
Instruction	19,757,485	13,590,140
Instructional resources and media services	392,073	361,518
Curriculum and instructional staff development	464,415	476,468
Instructional leadership	813,557	506,638
School leadership	2,566,432	1,657,093
Guidance, counseling and evaluation services	864,898	590,917
Social services	24,938	18,314
Health services	297,582	227,838
Student (pupil) transportation	1,303,885	969,764
Food services	2,540,761	2,520,375
Cocurricular/extracurricular activities	1,900,961	1,599,300
General administration	1,457,559	1,074,891
Facility maintenance and operations	4,342,555	3,939,003
Security and monitoring services	42,493	48,448
Data processing services	632,059	500,796
Community services	326,147	291,296
Debt service	700,363	830,582
Payments to juvenile justice alternative education	-	25,592
Other governmental charges	<u>65,248</u>	<u>62,587</u>
Total Expenses	<u>38,493,411</u>	<u>29,291,560</u>
 Increase (decrease) in net position	2,754,719	4,627,232
Beginning net position	418,059	17,195,253
Prior period adjustment	<u>(213,997)</u>	<u>(21,404,426)</u>
Ending net position	<u>\$ 2,958,781</u>	<u>\$ 418,059</u>

The District's total revenues were \$41,248,130. A significant portion, 85.6%, of the District's revenue comes from state aid – formula grants and operating grants, 12.2% comes from taxes, while 2.2% relates to charges for services, investments, and miscellaneous income.

Governmental Activities

- Property tax rates remained the same at \$1.2991 per \$100 of taxable property value.
- Average daily attendance decreased by 72 students from the prior year to the current year.

La Feria Independent School District Management's Discussion and Analysis

The total cost of all programs and services was \$38,493,411; 80% 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 fiscal period was \$38,493,411.
- However, the amount that our taxpayers paid for these activities through property taxes was \$5,048,430.
- Some of the cost was paid by those who directly benefited from the programs \$376,544 or by grants and contributions \$9,028,424.

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

<u>Program revenues</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Instruction and instructional related	\$20,613,973	\$14,428,126	\$15,517,262	\$14,528,425
School leadership	2,555,432	1,657,093	2,273,821	2,052,801
Food services	2,540,761	2,520,375	(46,193)	(72,353)
Facilities maintenance and operations	4,342,555	3,939,003	4,051,727	4,267,617

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 June 30, 2019, the District's governmental funds reported a combined ending fund balance of \$8,382,810, an increase of \$2,906,979 from last year. Of the total fund balance, \$7,553,247, or approximately 90%, constitutes unassigned fund balance. The remainder of fund balance is nonspendable, restricted, committed or assigned for particular purposes as follows:

**Table IV
Governmental Funds – Fund Balances**

	<u>2019</u>	<u>2018</u>
Nonspendable		
Inventories	\$ 62,425	\$ 56,214
Prepayment	61,432	127,735
Restricted		
Food service	306,167	201,210
Debt service	287,205	-
Committed		
Campus activity funds	112,334	32,938
Unassigned		
Unassigned	<u>7,553,247</u>	<u>5,271,730</u>
	<u>\$8,382,810</u>	<u>\$5,689,827</u>

La Feria Independent School District Management's Discussion and Analysis

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget twice. Actual expenditures were \$2,877,818 below final budget amounts with two functions exceeding the approved budget amounts. The negative variances resulted from underestimating the principal payments on the capital lease for copiers and budgeting the high school track and field project in the 2019-2020 school year yet construction actually started in late May 2019. Significant budget amendments affected the following areas:

- An amendment to provide for a transfer from the general fund to the debt service fund as well as to provide for career and technology purchases
- Final amendments to reallocate amounts in functions 34 student transportation, 35 food service, 51 plant maintenance and operations and 71 debt service – principal as specific needs were identified.

The District's General Fund fund balance of \$7,983,271 differs from the final budgetary fund balance of \$5,656,889 reported in the budgetary comparison statement due to the net effect of favorable and unfavorable variances as explained below:

- Revenues from both state and federal sources were below budget – state by \$445,433 due to the reduced ADA and federal by \$530,233 due to disputed SHARS amounts and change in payment pattern from SHARS and reduced revenue in child nutrition program due to feeding fewer children (reduced ADA).
- Expenditures were budgeted for twelve months but the fiscal year was changed to June 30th resulting in ten months of expenditures in many categories.
- Planned staff reductions were continued in the current fiscal period through attrition.
- The transfers out from the general fund to debt service fund as a result of the TRE was budgeted for \$365,000 but, with funding adjustments from TEA at the end of the year related to prior year refunding bonds, the transfer was not needed.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had invested \$41,819,117 in a broad range of capital assets, including land, buildings and improvements and equipment.

**Table V
Capital Asset Summary**

	Governmental Activities	
	2019	2018
Land	\$ 2,233,311	\$ 2,233,311
Buildings and improvements	59,031,858	59,031,858
Equipment	7,188,291	7,257,320
Leased property under capital lease	284,171	284,171
Construction in progress	641,313	-
Total assets at historical cost	69,378,944	68,806,660
Less accumulated depreciation and amortization	(27,559,827)	(26,540,534)
Net capital assets	\$41,819,117	\$42,266,126

La Feria Independent School District Management's Discussion and Analysis

Long-term Liabilities

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

**Table VI
Long-term Liabilities Outstanding**

	Governmental Activities	
	2019	2018
General obligation bonds payable	\$21,270,000	\$22,355,000
Bond issuance premiums	2,058,844	2,175,636
Maintenance tax notes	1,265,000	1,325,000
Maintenance tax notes premium	19,908	21,053
Property finance contract	806,466	989,870
Capital lease	222,475	280,314
Compensated absences	209,926	178,871
Net pension liability	9,609,669	5,921,225
Net OPEB liability	<u>13,453,235</u>	<u>12,206,737</u>
Totals	<u>\$48,915,523</u>	<u>\$45,453,706</u>

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

La Feria Independent School District Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2019-2020 budget preparation is the certified estimate of \$443,528,985 an increase of 4.4% from last year.
- The tax rate for the upcoming year of 2019-2020 has changed. Our M&O rate is now 1.06835 (down from 1.17) due to the state's compression required in House Bill 3. The I&S rate will increase to .186 from .1291 per \$100 of valuation. The School Board made the decision to increase the I & S tax rate in an effort to better meet the District's annual debt obligation.
- General operating fund spending per student increased in the 2019-2020 budget from \$10,360 to \$13,117.
- The District's 2019-2020 refined average daily attendance is expected to decrease by 73 average daily attendance. Given the trend of decreasing ADA during the past several years, the District will have to monitor its staffing and budget very closely.

These indicators were taken into account when adopting the general fund budget for 2019-2020.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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FINANCIAL STATEMENTS

LA FERIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 412,583
1120 Investments	7,987,507
1220 Property Taxes Receivables	1,034,438
1230 Allowance for Uncollectible Taxes	(31,033)
1240 Due from Other Governments	4,350,922
1260 Internal Balances	(536,833)
1267 Due from Fiduciary Funds	537,653
1300 Inventories	62,425
1410 Prepayments	61,432
Capital Assets:	
1510 Land	2,233,311
1520 Buildings and Improvements, Net	36,262,201
1530 Furniture and Equipment, Net	2,475,084
1550 Leased Property Under Capital Leases, Net	207,208
1580 Construction in Progress	641,313
1000 Total Assets	55,698,211
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	686,733
1705 Deferred Outflow Related to TRS Pension	5,042,350
1706 Deferred Outflow Related to TRS OPEB	1,092,854
1700 Total Deferred Outflows of Resources	6,821,937
LIABILITIES	
2110 Accounts Payable	1,210,807
2140 Interest Payable	355,207
2150 Payroll Deductions and Withholdings	263,392
2160 Accrued Wages Payable	2,892,161
2177 Due to Fiduciary Funds	9,599
2300 Unearned Revenue	116,920
Noncurrent Liabilities:	
2501 Due Within One Year	1,767,576
2502 Due in More Than One Year	24,085,043
2540 Net Pension Liability (District's Share)	9,609,669
2545 Net OPEB Liability (District's Share)	13,453,235
2000 Total Liabilities	53,763,609
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	925,153
2606 Deferred Inflow Related to TRS OPEB	4,872,605
2600 Total Deferred Inflows of Resources	5,797,758
NET POSITION	
3200 Net Investment in Capital Assets	16,863,157
3820 Restricted for Federal and State Programs	306,167
3850 Restricted for Debt Service	287,205
3900 Unrestricted	(14,497,748)
3000 Total Net Position	\$ 2,958,781

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

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LA FERIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE TEN MONTHS ENDED JUNE 30, 2019

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 19,757,485	\$ 17,423	\$ 4,950,488	\$ (14,789,574)
12 Instructional Resources and Media Services	392,073	-	29,736	(362,337)
13 Curriculum and Instructional Staff Development	464,415	-	99,064	(365,351)
21 Instructional Leadership	813,557	-	90,399	(723,158)
23 School Leadership	2,566,432	-	292,611	(2,273,821)
31 Guidance, Counseling and Evaluation Services	864,898	-	114,944	(749,954)
32 Social Work Services	24,938	-	1,791	(23,147)
33 Health Services	297,582	-	22,044	(275,538)
34 Student (Pupil) Transportation	1,303,885	-	99,674	(1,204,211)
35 Food Services	2,540,761	131,270	2,455,684	46,193
36 Extracurricular Activities	1,900,961	226,100	104,637	(1,570,224)
41 General Administration	1,457,559	-	152,514	(1,305,045)
51 Facilities Maintenance and Operations	4,342,555	1,751	289,077	(4,051,727)
52 Security and Monitoring Services	42,493	-	1,571	(40,922)
53 Data Processing Services	632,059	-	42,177	(589,882)
61 Community Services	326,147	-	282,013	(44,134)
72 Debt Service - Interest on Long-Term Debt	699,613	-	-	(699,613)
73 Debt Service - Bond Issuance Cost and Fees	750	-	-	(750)
99 Other Intergovernmental Charges	65,248	-	-	(65,248)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 38,493,411	\$ 376,544	\$ 9,028,424	(29,088,443)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			4,550,830
DT	Property Taxes, Levied for Debt Service			497,600
SF	State Aid - Formula Grants			24,955,984
GC	Grants and Contributions not Restricted			1,317,829
IE	Investment Earnings			169,584
MI	Miscellaneous Local and Intermediate Revenue			351,335
TR	Total General Revenues			31,843,162
CN	Change in Net Position			2,754,719
NB	Net Position - Beginning			418,059
PA	Prior Period Adjustment			(213,997)
NE	Net Position--Ending			\$ 2,958,781

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

LA FERIA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

Data Control Codes	10 General Fund	ESEA I, A Improving Basic Program	50 Debt Service Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 34,474	\$ -	\$ 68,515
1120 Investments	7,984,222	-	3,285
1220 Property Taxes - Receivables	905,013	-	129,425
1230 Allowance for Uncollectible Taxes	(27,150)	-	(3,883)
1240 Due from Other Governments	2,752,705	649,541	374,467
1260 Due from Other Funds	1,017,037	-	-
1300 Inventories	62,425	-	-
1410 Prepayments	61,432	-	-
1000 Total Assets	<u>\$ 12,790,158</u>	<u>\$ 649,541</u>	<u>\$ 571,809</u>
LIABILITIES			
2110 Accounts Payable	\$ 1,084,590	\$ 200	\$ -
2150 Payroll Deductions and Withholdings Payable	263,392	-	-
2160 Accrued Wages Payable	2,571,443	209,300	-
2170 Due to Other Funds	9,599	440,041	159,062
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>3,929,024</u>	<u>649,541</u>	<u>159,062</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Deferred Inflows - Property Taxes	877,863	-	125,542
2600 Total Deferred Inflows of Resources	<u>877,863</u>	<u>-</u>	<u>125,542</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	62,425	-	-
3430 Prepaid Items	61,432	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	306,167	-	-
3480 Retirement of Long-Term Debt	-	-	287,205
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	7,553,247	-	-
3000 Total Fund Balances	<u>7,983,271</u>	<u>-</u>	<u>287,205</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 12,790,158</u>	<u>\$ 649,541</u>	<u>\$ 571,809</u>

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

Other Funds	Total Governmental Funds
\$ 309,594	\$ 412,583
-	7,987,507
-	1,034,438
-	(31,033)
574,209	4,350,922
-	1,017,037
-	62,425
-	61,432
<u>\$ 883,803</u>	<u>\$ 14,895,311</u>
\$ 126,017	\$ 1,210,807
-	263,392
111,418	2,892,161
417,114	1,025,816
116,920	116,920
<u>771,469</u>	<u>5,509,096</u>
-	1,003,405
-	1,003,405
-	62,425
-	61,432
-	306,167
-	287,205
112,334	112,334
-	7,553,247
<u>112,334</u>	<u>8,382,810</u>
<u>\$ 883,803</u>	<u>\$ 14,895,311</u>

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LA FERIA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2019

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	8,382,810
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of these assets was \$69,378,944 and the accumulated depreciation was \$27,559,827.		41,819,117
2 Long-term liabilities including bonds, tax maintenance notes, property finance contract, capital lease and compensated absences are not due and payable in the current period and are not reported as liabilities in the funds.		(25,852,619)
3 Accrued interest payable does not require current financial resources so it is not reported as a liability in the funds.		(355,207)
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.		1,003,405
5 Gains/losses on defeasance of debt are recognized as deferred credits or charges and amortized over the remaining life of the debt. The District has deferred charges on refundings of \$686,733 from various refundings which are not reported in the funds.		686,733
6 Included in the items related to long-term liabilities is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$5,042,350, a deferred resource inflow in the amount of \$925,153, and a net pension liability in the amount of \$9,609,669. This resulted in a (decrease) in net position.		(5,492,472)
7 Included in the items related to long-term liabilities is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$1,092,854, a deferred resource inflow in the amount of \$4,872,605, and a net OPEB liability in the amount of \$13,453,235. This resulted in a decrease in net position.		(17,232,986)
19 Net Position of Governmental Activities	\$	<u>2,958,781</u>

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

LA FERIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE TEN MONTHS ENDED JUNE 30, 2019

Data Control Codes	10 General Fund	ESEA I, A Improving Basic Program	50 Debt Service Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 5,088,227	\$ -	\$ 529,993
5800 State Program Revenues	26,249,567	-	1,273,724
5900 Federal Program Revenues	3,015,567	1,617,609	-
5020 Total Revenues	<u>34,353,361</u>	<u>1,617,609</u>	<u>1,803,717</u>
EXPENDITURES:			
Current:			
0011 Instruction	14,536,764	1,464,615	-
0012 Instructional Resources and Media Services	337,447	-	-
0013 Curriculum and Instructional Staff Development	364,796	48,810	-
0021 Instructional Leadership	732,774	4,795	-
0023 School Leadership	2,246,590	5,160	-
0031 Guidance, Counseling and Evaluation Services	741,036	-	-
0032 Social Work Services	21,599	-	-
0033 Health Services	262,151	-	-
0034 Student (Pupil) Transportation	1,452,404	-	-
0035 Food Services	2,327,233	-	-
0036 Extracurricular Activities	1,743,602	-	-
0041 General Administration	1,367,827	-	-
0051 Facilities Maintenance and Operations	3,957,607	-	-
0052 Security and Monitoring Services	41,372	-	-
0053 Data Processing Services	606,801	-	-
0061 Community Services	15,238	94,229	-
Debt Service:			
0071 Principal on Long-Term Debt	301,243	-	1,085,000
0072 Interest on Long-Term Debt	74,937	-	430,762
0073 Bond Issuance Cost and Fees	-	-	750
Capital Outlay:			
0081 Facilities Acquisition and Construction	641,313	-	-
Intergovernmental:			
0099 Other Intergovernmental Charges	65,248	-	-
6030 Total Expenditures	<u>31,837,982</u>	<u>1,617,609</u>	<u>1,516,512</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	2,515,379	-	287,205
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	25,000	-	-
1200 Net Change in Fund Balances	2,540,379	-	287,205
0100 Fund Balance - September 1 (Beginning)	5,656,889	-	-
1300 Prior Period Adjustment	(213,997)	-	-
3000 Fund Balance - June 30 (Ending)	<u>\$ 7,983,271</u>	<u>\$ -</u>	<u>\$ 287,205</u>

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

Other Funds	Total Governmental Funds
\$ 195,399	\$ 5,813,619
404,151	27,927,442
<u>1,351,029</u>	<u>5,984,205</u>
1,950,579	39,725,266
1,438,692	17,440,071
13,032	350,479
43,836	457,442
2,750	740,319
23,094	2,274,844
26,008	767,044
-	21,599
-	262,151
-	1,452,404
-	2,327,233
43,994	1,787,596
-	1,367,827
91,993	4,049,600
-	41,372
-	606,801
187,784	297,251
-	1,386,243
-	505,699
-	750
-	641,313
-	<u>65,248</u>
<u>1,871,183</u>	<u>36,843,286</u>
79,396	2,881,980
-	25,000
<u>79,396</u>	<u>2,906,980</u>
32,938	5,689,827
-	(213,997)
<u>\$ 112,334</u>	<u>\$ 8,382,810</u>

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 TEN MONTHS ENDED JUNE 30, 2019

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	2,906,980
Capital outlays are reported in the governmental funds as expenditures. In the statement of activities the cost of the assets, \$1,155,599 is allocated over their useful lives as depreciation expense which totaled \$1,602,607 for the year.		(447,008)
Because some property taxes will not be collected for several months after the District's year end, they are not considered "available" revenues in the governmental funds. This is the change in unearned tax revenue.		132,274
The sale of assets on the statement of activities is reported as a gain or loss transaction while in the governmental funds the proceeds are reported as other resources. The District sold fully depreciated buses with a total cost of \$583,315 for \$25,000 during the current year.		(25,000)
Repayment of principal on long-term debt is an expenditure in the funds but is not an expense in the statement of activities.		1,386,243
Some expenses such as the effect of the change in compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(31,055)
Governmental funds report premiums, discounts, gains/losses on debt transactions when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. Interest is recorded in the governmental funds when paid but in the statement of activities it is accrued. This is the net impact of amortization of premiums, deferred losses and change in accrued interest.		(193,914)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$505,994. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$590,609. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$781,254. The net result was a decrease in the change in net position.		(865,869)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$152,041. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net OPEB liability. This caused a decrease in net position totaling \$185,873. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$74,100. The net result is a decrease in the change in net position.		(107,932)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>2,754,719</u>

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
JUNE 30, 2019

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 99,934
Investments - Current	169,600	-
Due from Other Funds	9,599	-
Restricted Assets	-	2,991,623
Total Assets	<u>179,199</u>	<u>\$ 3,091,557</u>
LIABILITIES		
Due to Other Funds	-	\$ 820
Due to Student Groups	15,475	99,114
Payable from Restricted Assets	-	2,991,623
Total Liabilities	<u>15,475</u>	<u>\$ 3,091,557</u>
NET POSITION		
Restricted for Scholarships	<u>163,724</u>	
Total Net Position	<u>\$ 163,724</u>	

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

LA FERIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE TEN MONTHS ENDED JUNE 30, 2019

	Private Purpose Trust Fund
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 575
Total Additions	<u>575</u>
Change in Net Position	575
Total Net Position - September 1 (Beginning)	<u>163,149</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 163,724</u></u>

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

La Feria Independent School District Notes to Financial Statements

NOTE 1: REPORTING ENTITY

The La Feria Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. The Board of Trustees (the "Board"), a seven-member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the La Feria Independent School District. The governing Board derives its powers from the statutes of the State of Texas and the Rules and regulations of the Texas State Department of Education. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, as amended by GASB 61 "The Reporting Entity." The District has no component units.

Change in Fiscal Year End

The District has changed its fiscal year end for financial reporting purposes from August 31st to June 30th. As a result, financial statements presented as of and for the period ended June 30 2019 reflect ten (10) months of transactions rather than a full year. Prior year information has not been restated and comparability of current period financial information to prior years should be viewed with this understanding.

NOTE 2: 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.

New Accounting Standards Adopted and Recently Issued

Implementation of New Standard

In fiscal year 2019, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*. GASB Statement No. 88 improves the information that is disclosed in notes to governments financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

Recently Issued Accounting Pronouncements

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

- GASB Statement No. 91, *Conduit Debt Obligations*
- GASB Statement No. 87, *Leases*
- GASB Statement No. 84, *Fiduciary Activities*

La Feria Independent School District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 91, *Conduit Debt Obligations*, provides for a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

GASB Statement No. 87, *Leases*, improves the accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Basis of Presentation

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The District does not currently utilize any proprietary funds.

Major individual government funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated by type and reported as non-major funds.

La Feria Independent School District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded as soon as they are both available and measurable. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within the 60 days after year end except for IFA and EDA funding from the Texas Education Agency (TEA) for which the period was extended due to delays by TEA in processing amendments related to this funding. Grant and similar revenues, revenues received from the State of Texas and interest income are all considered to be susceptible to accrual and have been recognized as revenues in the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to longevity pay, claims and judgements are recorded only when payment is due.

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

Unearned revenue is reported in the governmental funds when 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.

The District reports the following major governmental funds:

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

ESEA I, A Improving Basic Program. The District accounts for **ESEA I, A Improving Basic Program** in a special revenue fund. For the current fiscal year, the fund met the requirements as a major governmental fund.

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

La Feria Independent School District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the District reports the following funds:

Nonmajor Governmental Funds:

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

Fiduciary Funds:

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

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

The District has no proprietary funds.

Cash and Cash Equivalents

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

Investments

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

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

Interfund Receivables and Payables

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

La Feria Independent School District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables

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

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

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

Inventory

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

Other Current Assets

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

Capital Assets

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

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their acquisition value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

La Feria Independent School District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

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

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

A deferred outflows of resources is a consumption of a government's net position by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred outflows of resources for refunding – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunding debt and its acquisition price. This amount is amortized over the shorter of the life of the refunded or refunding debt.

Deferred outflows of resources for pension - Reported in the government-wide financial statement of net position, this deferred outflows result from pension plan contributions made after the measurement date of the net pension liability and the results 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

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

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

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

Deferred inflows of resources for unavailable revenues – Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

La Feria Independent School District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred inflows of resources for pension – Reported in the government-wide financial statements of net position, these deferred inflows result primarily from 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District's proportional share of pension liabilities. The deferred inflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

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

Fair Value Measurements

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

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

Compensated Absences

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

Long-term Obligations

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

La Feria Independent School District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations (continued)

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

Pension

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

Other Post-Employment Benefits

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

Government-wide Net Position

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

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

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

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

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

La Feria Independent School District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Net Position (continued)

Net position flow assumption – Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amount to report as restricted – net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

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

Fund Balance

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

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

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

- *Restricted fund balance* – the component of spendable fund balance constrained to a specific purpose by a provider, such as a creditor, grantor, contributor or law or regulation of other governments.
- *Committed fund balance* –the component of spendable fund balance constrained to a specific purpose by Board. A Board resolution is required to establish a fund balance commitment. Only the action that constitutes the most binding constraint of the Board can be considered a commitment for fund balance classification purposes.
- *Assigned fund balance* – the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Superintendent. Board policy CE (Local) was amended in August 2011 by the Board of Trustees to provide the Superintendent with this authorization.
- *Unassigned fund balance* the component of spendable fund balance which may be spent for any legal purpose. This portion of the total fund balance in the general fund is available to finance operating expenditures.

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

La Feria Independent School District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting System

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

Data Control Codes

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

Subsequent Events

Management has evaluated subsequent events through November 18, 2019, the date the financial statements were available to be issued.

NOTE 3: DEPOSITS AND INVESTMENTS

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

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. The District maintains an investment policy which authorizes the District to invest in obligations of the U.S. Treasury and U.S agencies, municipal securities and repurchase agreements and the State Treasurer's investment pool or similar public fund investment pools. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of the failure of a bank failure, the government's deposits may not be returned to it. The collateral shall always be held by an independent third party with whom the District has a current custodial agreement. The District was not exposed to custodial credit risk for its deposits except for October 31, 2018 when the combination of the FDIC insurance and the collateral pledged was less than the total funds on deposit at the bank. Additional collateral was pledged November 1, 2018.

At June 30, 2019, the carrying value of the District's deposits (other than the temporary investments listed below) was \$530,864 and the bank balance was \$823,196. The District's cash deposits at June 30, 2019, and during the ten months then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name other than for October 31, 2018 specified above.

Investments

As of June 30, 2019, the District's investments consisted of Certificates of Deposit held in BBVA Compass bank with maturities in excess of three months and balances held by Lone Star Local Government Investment Pool (LSIP) and TexasTERM Local Government Investment Pool (TexasTERM).

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

The District also participates in the TexasTERM Local Government Investment Pool (TexasTERM), an external investment pool. TexasTERM was established under the provisions of the Interlocal Cooperation's Act, Chapter 791 of the Texas Government Code and Chapter 2256 of the Public Funds Investment Act. An Advisory Board composed of participants and non-participant members elected by the participant shareholders of TexasTERM is responsible for the overall management of TexasTERM, including formulation and implementation of its investment and operating policies. TexasTERM is professionally managed by PFM Asset Management, LLC in Austin Texas and offers three investment options: TexasDAILY, TexasTERM and TexasTERM Certificate of Deposit Purchase Program. The District is currently participating only in the TexasTERM CD Purchase Program with a one year FDIC-insured CD held in the District's name bearing interest at 2.6% maturing June 1, 2020.

La Feria Independent School District Notes to Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

In accordance with GASB Statement No. 79, Certain External Investment Pools and Pool Participants, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pool does not impose any liquidity fees or redemption gates.

The District's temporary investments at June 30, 2019, are shown below:

	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
Investments			
Lone Star	\$10,955,632	98.48%	26
TexasTERM – Texas CD Program	164,479	1.48%	N/A
Certificate of deposit - BBVA	<u>5,121</u>	<u>0.04%</u>	N/A
	<u>\$11,125,232</u>	<u>100.00%</u>	

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments in the external investment pool are not exposed to custodial risk. External investment pools are not subject to custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. As of June 30, 2019, the District's investments in Lone Star were rated AAAM.

Credit Risk

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

Interest-rate Risk

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

Concentration Risk

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

Restricted Assets

As of June 30, 2019, restricted assets of the Agency Fund include \$23,498 of cash and \$2,968,125 of investments held in Lone Star Investment Pool as fiscal agent for the South Texas Health Cooperative.

La Feria Independent School District
Notes to Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

The following is a reconciliation of the District's total cash, investments and restricted assets as of June 30, 2019, with the Statement of Net Position:

Deposits	\$ 525,744
Petty cash	<u>10,271</u>
Total cash	536,015
Certificates of deposit	169,600
Investments	<u>10,955,632</u>
Total investments	<u>11,125,232</u>
Total for all funds- cash and investments	<u>11,661,247</u>
Less: Statement of Fiduciary Net Position	
Cash and cash equivalents	99,934
Investments	169,600
Restricted assets- cash	23,498
Restricted assets- investments	<u>2,968,125</u>
	<u>3,261,157</u>
Statement of Net Position	<u>\$8,400,090</u>

NOTE 4: PROPERTY TAX

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

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. The District's 2018 tax rate was \$1.17 for maintenance and \$0.1291 for debt service per \$100 assessed valuation. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. At June 30, 2019 outstanding taxes in the general fund and debt service fund were \$905,013 and \$129,425 with a corresponding allowance for doubtful accounts of \$27,150 and \$3,883, respectively. Revenues from taxes are considered available when collected.

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

NOTE 5: DUE FROM OTHER GOVERNMENTS AND AGENCIES

Amounts due from other governments and agencies as of June 30, 2019 are as follows:

<u>General Fund</u>	<u>Due From</u>	<u>Due to</u>
Texas Education Agency:		
Foundation Revenues	\$2,323,988	\$-
Food Service Program – Breakfast and Lunch	18,042	-
Other governmental entities		
SHARS	258,272	-
Cameron County Tax Office	11,077	-
MFS SPED Operations	30,323	-
Indirect cots on federal programs	111,003	-
 <u>ESEA I, A Improving Basic Program</u>		
Texas Education Agency	649,541	-
 <u>Debt Service Fund</u>		
Texas Education Agency:		
Instructional Facility Allotment	373,514	-
Cameron County Tax Office	953	-
 <u>Other Governmental Funds</u>		
Texas Education Agency:		
ESEA, Title I Part C Migratory Children	99,034	-
IDEA – Part B, Formula	246,631	-
IDEA – Part B, Preschool	9,084	-
Career and Technical – Basic Grant	64,409	-
Supporting Effective Instruction State Grants	54,113	-
English Language Acquisition State Grants	21,501	-
Student Support and Academic Enrichment Program	50,905	-
Region One ESC:		
Gaining Early Awareness for Readiness for Undergraduate Programs	25,028	-
Teacher and School Leader Incentive Grants	991	-
Region Twenty ESC:		
IDEA – Part B Discretionary	<u>2,513</u>	<u>-</u>
	<u>\$4,350,922</u>	<u>\$ -</u>

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

NOTE 6: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances at June 30, 2019 were:

Due From	Due To	
Title I Grants to Local Educational Agencies	General Fund	\$440,041
Migrant Education State Grant Program	General Fund	65,822
Special Education Grants to States	General Fund	168,440
Special Education Grants to States – Preschool	General Fund	7,993
Special Education Grants to States – Discretionary	General Fund	2,513
Career and Technical Education – Basic Grants	General Fund	60,368
Supporting Effective Instructional State Grants	General Fund	35,808
English Language Acquisition State Grants	General Fund	10,066
Undergraduate Programs	General Fund	16,608
Teacher and School Leader Incentive Grants	General Fund	991
Student Support and Academic Enrichment Program	General Fund	48,505
Debt Service Fund	General Fund	<u>159,062</u>
	Total Governmental Funds	1,016,217
Fiduciary Fund – Student Activity & UIL	General Fund	820
General Fund	Private Purpose Trust Fund	<u>9,599</u>
	Total	<u>\$1,026,636</u>

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

A transfer out from the general fund to the debt service was budgeted for the current school year as a result of the TRE election in prior years that shifted tax rate from debt service to maintenance and operations. During the current school year, TEA recomputed the instructional facilities allotment for several years as a result of the District issuing refunding bonds in years past. The resulting increase in state funding negated the need for the budgeted transfer from the general fund to the debt service fund.

La Feria Independent School District
Notes to Financial Statements

NOTE 7: DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2019, were as follows:

	<u>Property Taxes, Net</u>	<u>Other Governments</u>	<u>Due from Other Funds</u>	<u>Total Receivables</u>
Governmental Funds:				
General Fund	\$877,863	\$2,752,705	\$1,017,037	\$4,647,605
ESEA I, A Improving Basic Program	-	649,541	-	649,541
Debt Service Fund	125,542	374,467	-	500,009
Nonmajor Governmental Funds	<u>-</u>	<u>574,209</u>	<u>-</u>	<u>574,209</u>
Total Governmental Funds	<u>\$1,003,405</u>	<u>\$4,350,922</u>	<u>\$1,017,037</u>	<u>\$6,371,364</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 752,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 672,098</u>

Payables at June 30, 2019, were as follows:

	<u>Accounts Payable</u>	<u>Noncurrent Liabilities Payable- Current Year</u>	<u>Salaries and Benefits</u>	<u>Due to Other Funds</u>	<u>Total Payables</u>
Governmental Funds:					
General Fund	\$1,084,590	\$1,767,576	\$ 2,834,835	\$9,599	\$5,696,600
ESEA I, A Improving Basic Program	200	-	209,300	440,041	649,541
Debt Service Fund	-	-	-	159,062	159,062
Nonmajor Governmental Funds	<u>126,017</u>	<u>-</u>	<u>111,418</u>	<u>417,114</u>	<u>654,549</u>
Total Governmental Funds	<u>\$1,210,807</u>	<u>\$1,767,576</u>	<u>\$ 3,155,553</u>	<u>\$1,025,816</u>	<u>\$7,159,752</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 8: CAPITAL ASSETS

Capital asset activity for the period ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	\$ 2,233,311	\$ -	\$ -	\$ 2,233,311
Buildings and improvements	59,031,858	-	-	59,031,858
Furniture and equipment	7,257,320	514,286	(583,315)	7,188,291
Leased property under capital lease	284,171	-	-	284,171
Construction in progress	<u>-</u>	<u>641,313</u>	<u>-</u>	<u>641,313</u>
Totals at historic cost	68,806,660	1,155,599	(583,315)	69,378,944
Less accumulated depreciation for:				
Buildings and improvements	(21,640,763)	(1,128,894)	-	(22,769,657)
Furniture and equipment	(4,882,012)	(414,510)	583,315	(4,713,207)
Leased property under capital lease	<u>(17,760)</u>	<u>(59,203)</u>	<u>-</u>	<u>(76,963)</u>
Total accumulated depreciation	<u>(26,540,535)</u>	<u>(1,602,607)</u>	<u>583,315</u>	<u>(27,559,827)</u>
Governmental activities capital assets, net	<u>\$42,266,125</u>	<u>\$ (447,008)</u>	<u>\$ -</u>	<u>\$41,819,117</u>

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

NOTE 8: CAPITAL ASSETS (Continued)

Depreciation was charged to the following functions:

Government Activities:

11 – Instruction	\$ 829,808
12 – Instructional Resources and Media Services	18,855
13 – Curriculum and Instructional Staff Development	769
21 – Instructional Leadership	7,690
23 – School Leadership	97,362
31 – Guidance, Counseling and Evaluation Services	27,112
32 – Social Work Services	1,435
33 – Health Services	16,258
34 – Student (Pupil) Transportation	258,120
35 – Food Services	138,613
36 – Cocurricular/Extracurricular Activities	13,246
41 – General Administration	9,997
51 – Plant Maintenance and Operations	173,345
53 – Data Processing Services	4,614
61 – Community Services	<u>5,383</u>
Total depreciation expense	<u>\$1,602,607</u>

NOTE 9: LONG-TERM DEBT

Long-term debt include bonds payable, maintenance tax notes, property finance contract and a capital lease. Changes in long-term debt for the period ended June 30, 2019 are as follows:

	Beginning Balance <u>9/01/18</u>	<u>Increase</u>	<u>Decrease</u>	Ending Balance <u>6/30/19</u>	Due Within <u>One Year</u>
Governmental Activities:					
Unlimited Tax School Refunding Bonds - Series 2014A	\$ 2,415,000	\$ -	\$ 545,000	\$ 1,870,000	\$560,000
Unlimited Tax School Refunding Bonds - Series 2014B	3,410,000	-	30,000	3,380,000	30,000
Unlimited Tax School Refunding Bonds - Series 2015	5,070,000	-	20,000	5,050,000	25,000
Unlimited Tax School Refunding Bonds - Series 2016	7,810,000	-	250,000	7,560,000	270,000
Unlimited Tax School Refunding Bonds - Series 2017	<u>3,650,000</u>	<u>-</u>	<u>240,000</u>	<u>3,410,000</u>	<u>235,000</u>
Total general obligation bonds	22,355,000	-	1,085,000	21,270,000	1,120,000
Premium on issuance of bonds	<u>2,175,636</u>	<u>-</u>	<u>116,792</u>	<u>2,058,844</u>	<u>220,625</u>
Subtotal on bonds	24,530,636	-	1,201,792	23,328,844	1,340,625
Maintenance tax notes	1,325,000	-	60,000	1,265,000	65,000
Premium on maintenance tax notes	21,053	-	1,145	19,908	2,211
Property finance contract	989,870	-	183,404	806,466	190,416
Capital lease	<u>280,314</u>	<u>-</u>	<u>57,839</u>	<u>222,475</u>	<u>72,658</u>
	<u>\$27,146,873</u>	<u>\$</u>	<u>\$1,504,180</u>	<u>\$25,642,693</u>	<u>\$1,670,910</u>

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

NOTE 9: LONG-TERM DEBT (continued)

General Obligation Bonds

General Obligation Bonds:

Bonds payable at June 30, 2019 are comprised of the following individual issues:

The District issued \$3,595,000 Series 2014A refunding bonds with interest ranging from 2% to 4% to advance refund \$3,720,000 of the 2005 refunding bonds outstanding. These bonds mature February 15, 2027.	\$ 1,870,000
The District issued \$3,585,000 Series 2014B refunding bonds with interest ranging from 2% to 4% to advance refund \$3,745,000 of the 2005 school building bonds outstanding. These bonds mature February 15, 2037.	3,380,000
The District issued \$5,310,000 Series 2015 refunding bonds with interest ranging from 2% to 4% to advance refund \$5,595,000 of the 2005 school building bonds outstanding. These bonds mature February 15, 2037.	5,050,000
The District issued \$8,360,000 Series 2016 refunding bonds with interest ranging from 2% to 4% to advance refund \$2,720,000 of the 2006 refunding bonds and \$6,090,000 of the 2008 school building bonds (maturities 2029 through 2038). These bonds mature in 2038.	7,560,000
The District issued \$3,705,000 Series 2017 refunding bonds with interest ranging from 2% to 4% to advance refund \$3,825,000 of the 2008 school building bonds (maturities 2019 through 2028). These bonds mature in 2028.	<u>3,410,000</u>
	<u>\$21,270,000</u>

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

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

The District leased new copiers late in 2018 which resulted in a capital lease obligation of \$297,202 with interest of 5% and final payment due in 2022. The net book value of the capital lease as of June 30, 2019 amounted to \$207,208.

La Feria Independent School District
Notes to Financial Statements

NOTE 9: LONG-TERM DEBT (Continued)

In prior years, the District defeased certain outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the respective trust account assets and related liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2019, the following outstanding bonds are considered defeased:

<u>Series</u>	<u>Ending Balance</u>
1997 Building	\$ 1,930,000
2005 Refunding	1,990,000
2005 Building	8,490,000
2006 Refunding	1,465,000
2008 Building	9,915,000
<u>Public Facilities Corporation</u>	
1999	495,000
2001	1,510,000
2002	565,000

Debt service requirements on long-term debt at June 30, 2019 are as follows:

<u>Year Ending</u> <u>June 30,</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>
2020	\$ 1,120,000	\$ 828,975	\$ 328,074	\$ 89,272	\$ 1,448,074	\$ 918,247
2021	1,155,000	795,375	339,072	76,098	1,494,072	871,473
2022	1,190,000	755,300	348,695	62,454	1,538,695	817,754
2023	990,000	710,700	283,100	50,414	1,273,100	761,114
2024	1,025,000	671,450	75,000	39,588	1,100,000	711,038
2025-2029	5,035,000	2,760,400	415,000	153,160	5,450,000	2,913,560
2030-2034	5,860,000	1,700,800	505,000	65,589	6,365,000	1,766,389
2035-2038	<u>4,895,000</u>	<u>457,600</u>	<u>-</u>	<u>-</u>	<u>4,895,000</u>	<u>457,600</u>
Total	<u>\$21,270,000</u>	<u>\$ 8,680,600</u>	<u>\$2,293,941</u>	<u>\$ 536,575</u>	<u>\$23,563,941</u>	<u>\$9,217,175</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 June 30, 2019.

NOTE 10: OTHER LONG-TERM LIABILITIES:

In addition to the long-term debt obligations in Note 9, Note 16 Defined Benefit Pension Plan and Note 17 Defined Other Post Employment Benefit Plans, the District has the following changes in other long-term liabilities for the ten month period ended June 30, 2019 as follows:

	<u>Beginning</u> <u>Balance</u> <u>9/1/2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u> <u>6/30/2019</u>	<u>Due Within</u> <u>One Year</u>
	Governmental Activities				
Compensated absences	<u>\$ 178,871</u>	<u>\$ 53,469</u>	<u>\$ 22,414</u>	<u>\$ 209,926</u>	<u>\$ 96,666</u>

La Feria Independent School District
Notes to Financial Statements

NOTE 11: REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the period ended June 30, 2019, revenues from local and intermediate sources consisted of the following:

	General <u>Fund</u>	Debt <u>Service</u>	Other <u>Funds</u>	<u>Total</u>
Property taxes	\$4,613,268	\$511,503	\$ -	\$5,124,771
Penalties, interest and other	119,774	15,982	-	135,756
Investment income	167,076	2,508	-	169,584
Food sales	131,270	-	-	131,270
Co-curricular student activities	29,031	-	195,398	224,429
Other	<u>27,808</u>	<u>-</u>	<u>-</u>	<u>27,808</u>
	<u>\$5,088,227</u>	<u>\$529,993</u>	<u>\$195,398</u>	<u>\$5,813,618</u>

NOTE 12: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The components of the deferred outflows of resources and deferred inflows of resources in the government-wide and fund level financial statements as of June 30, 2019 are as follows:

	Statement of Net <u>Position</u> Governmental <u>Activities</u>	Balance Sheet - <u>Governmental Funds</u>	
		General <u>Fund</u>	Debt Service <u>Fund</u>
Deferred outflows of resources:			
Deferred charge on refunding	\$ 686,733	\$ -	\$ -
Deferred outflow related to TRS Pension	5,042,350	-	-
Deferred outflow related to TRS OPEB	<u>1,092,854</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>\$6,821,937</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred inflows of resources:			
Deferred inflow related to TRS Pension	\$ 925,153	\$ -	\$ -
Deferred inflow related to TRS OPEB	4,872,605	-	-
Unavailable property taxes	<u>-</u>	<u>877,863</u>	<u>125,542</u>
Total deferred inflows of resources	<u>\$5,797,758</u>	<u>\$877,863</u>	<u>\$125,542</u>

La Feria Independent School District
Notes to Financial Statements

NOTE 13: GENERAL FUND FEDERAL SOURCE REVENUES

Federally financed programs are generally accounted for in the Special Revenue Funds of the District, except for indirect costs charged to federal programs which are accounted for in the General Fund as prescribed by the TEA and certain direct revenues. The District recognized in the General Fund such revenues for the period ended June 30, 2019, from various federal sources as follows:

<u>Programs or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
School Breakfast Program	10.553	\$ 649,059
National School Lunch Program - Cash Assistance	10.555	1,385,211
National School Lunch Program – Non-cash Assistance	10.555	189,161
Child and Adult Care Food Program	10.558	115,569
Indirect costs earned –		
Title I Grants to Local Education Agency	84.010	60,996
Migrant Education State Grant Program	84.011	12,133
IDEA B	84.027	26,135
IDEA B Preschool	84.173	350
Career and Technical Education	84.048	1
Supporting Effective Instruction State Grants	84.367	1,655
English Language Acquisition Grants	84.367	4,801
Teacher and School Leader Incentive Grants	84.374	690
Student Support and Academic Enrichment Program	84.424	4,241
Medicaid Administrative Claiming Program	93.778	13,383
SHARS	-	552,182
		<u>\$3,015,567</u>

NOTE 14: COMMITMENTS AND CONTINGENCIES

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

Audits of all of these programs for the period ended June 30, 2019 have not been conducted. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

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

In addition to the matters discussed above, the District discloses construction commitments as of June 30, 2019 at Note 21 Construction Commitments.

La Feria Independent School District
Notes to Financial Statements

NOTE 15: COMPLIANCE AND ACCOUNTABILITY

a. Finance-Related Legal and Contractual Provision

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

<u>Violations</u>	<u>Action Taken</u>
Expenditures exceeded amended budget in the following functions:	
GENERAL FUND	
0071	
Principal on Long-term Debt	The District entered into a copier lease in June 2018 which was determined to be a capital lease. When the budget for the current school year was prepared the current lease principal amount was under estimated. This error resulted in a negative variance of \$(11,243) in the general fund for principal on long-term debt.
0081	
Facilities Acquisition and Construction	The District entered into a contract to renovate the high school football field and track. The work began immediately after graduation in May 2019 so work was in progress at the new year-end of June 30. The project was budgeted for the 2019-2020 school year so the entry to record the work completed as of June 30 resulted in a negative variance in the amount of \$(641,313) in the general fund for facilities acquisition and construction.

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

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

La Feria Independent School District Notes to Financial Statements

NOTE 16: DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

Contributions

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

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

NOTE 16: DEFINED BENEFIT PENSION PLAN (Continued)

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (state) (NECE)	6.8%	6.8%
Employer	6.8%	6.8%

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

Current fiscal year employer contributions	\$ 505,994
Current fiscal year member contributions	\$1,388,176
2018 measurement year NECE on-behalf contributions	\$1,170,288

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.

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

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

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

NOTE 16: DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017, rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.3%
Salary Increases including inflation	3.05% to 9.05%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2017 and adopted in July 2018.

Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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, 2018 are summarized on the next page.

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

NOTE 16: DEFINED BENEFIT PENSION PLAN (Continued)

**Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2018**

	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>	<u>Expected Contribution to Long-term Portfolio Returns¹</u>
Global Equity			
U. S.	18%	5.7%	1.0%
Non – U. S. developed	13%	6.9%	0.9%
Emerging Markets	9%	8.9%	0.8%
Directional Hedge Funds	4%	3.5%	0.2%
Private Equity	13%	10.2%	1.3%
Stable Value			
U. S. Treasuries	11%	1.1%	0.1%
Absolute Return	0%	0.0%	0.0%
Hedge Funds (Stable Value)	4%	3.1%	0.1%
Cash	1%	-0.3%	0.0%
Real Return			
Global Inflation – Linked Bonds	3%	0.7%	0.0%
Real Assets	16%	5.2%	0.7%
Energy & Natural Resources	3%	7.5%	0.4%
Commodities	0%	0.0%	0.0%
Risk Parity			
Risk Parity	5%	3.7%	0.2%
Inflation Expectation	0%		2.3%
Alpha	<u>0%</u>		<u>-0.8%</u>
Total	100%		7.2%

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

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

NOTE 16: 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 (6.907%) in measuring the Net Pension Liability.

	1% Decrease In Discount Rate <u>(5.907%)</u>	Discount Rate <u>(6.907%)</u>	1% Increase in Discount Rate <u>(7.907%)</u>
District's proportionate share of the net pension liability	<u>\$14,503,294</u>	<u>\$9,609,669</u>	<u>\$5,647,989</u>

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

At June 30, 2019, the District reported a liability of \$9,609,669 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	\$ 9,609,669
State's proportionate share that is associated with the District	<u>19,133,402</u>
Total	<u>\$28,743,071</u>

The net pension liability was measured as of August 31, 2018 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was .0174586574% which was a decrease of .0010598621% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation

Changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period are as follows:

1. The total pension liability as of August 31, 2018 was developed using the roll-forward method of August 31, 2017 valuation.
2. Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
3. Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
4. The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
5. The long term assumed rate of return changed from 8.0 to 7.25 percent.

La Feria Independent School District
Notes to Financial Statements

NOTE 16: DEFINED BENEFIT PENSION PLAN (Continued)

6. The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

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

For the ten months ended June 30, 2019, the District recognized pension expense of \$3,265,560 and revenue of \$1,893,697 for support provided by the State.

At June 30, 2019, 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	\$ 59,899	\$ 235,783
Changes in actuarial assumptions	3,464,748	108,273
Difference between projected and actual investment earnings	-	182,336
Changes in proportion and difference between the employer's, contributions and the proportionate share of contributions	<u>1,011,709</u>	<u>398,761</u>
Total net amounts per August 31, 2018 measurement date	4,536,356	925,153
Contributions paid to TRS subsequent to the measurement date	<u>505,994</u>	-
Total as of fiscal year-end	<u>\$5,042,350</u>	<u>\$ 925,153</u>

The \$505,994 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Pension Plan Years Ending June 30:</u>	<u>Pension Expense Amount</u>
2020	\$1,033,758
2021	650,045
2022	535,254
2023	543,077
2024	505,773
Thereafter	343,296

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Net Pension Liability	<u>\$ 5,921,225</u>	<u>\$ 4,276,582</u>	<u>\$ 588,138</u>	<u>\$ 9,609,669</u>

La Feria Independent School District Notes to Financial Statements

NOTE 17: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

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

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees
January 1, 2018 thru December 31, 2018

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999
*or surviving spouse		

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

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

NOTE 17: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Texas Insurance Code, Section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>2018</u>	<u>2019</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
District’s 2019 FY Employer Contributions	\$152,041	
District’s 2019 FY Member Contributions	\$117,184	
2018 Measurement Year NECE On-Behalf Contributions	\$251,017	

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Legislature, House Bill 30 provided an additional \$212 million in one-time supplemental funding bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

Actuarial Assumptions. The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

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

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

NOTE 17: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.69%*
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05-9.05%**
Healthcare Trend Rates	4.50%-12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65***
Ad-hoc Post Employment Benefit Changes	None

**Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.*

*** Includes inflation at 2.50%*

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

Discount Rate. A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of .27 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

NOTE 17: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate <u>(2.69%)</u>	Discount Rate <u>(3.69%)</u>	1% Increase in Discount Rate <u>(4.69%)</u>
District's proportionate share of the Net OPEB Liability	\$16,013,972	\$13,453,235	\$11,427,527

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

	<u>1% Decrease</u>	Current Healthcare Cost Trend Rate	<u>1% Increase</u>
District's proportionate share of the Net OPEB Liability	\$11,173,131	\$13,453,235	\$16,456,181

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2019, the District reported a liability of \$13,453,235 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective net OPEB liability	\$13,453,235
State's proportionate share that is associated with the District	<u>18,194,216</u>
	<u>\$31,647,451</u>

The Net OPEB Liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

La Feria Independent School District Notes to Financial Statements

NOTE 17: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

At August 31, 2018 the employer's proportion of the collective Net OPEB Liability was .0269436973% which is a decrease of 0.0011266405% from its proportion measured as of August 31, 2017.

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

The total OPEB liability as of August 31, 2018 was developed using the roll-forward method of the August 31, 2017 valuation.

Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the OPEB liability.

The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.

Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.

The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability.

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

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

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

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

Changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period are listed below:

Created a high-deductible health plan that provides for a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.

La Feria Independent School District Notes to Financial Statements

NOTE 17: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.

Allowed the System to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.

Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.

Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended June 30, 2019, the District recognized OPEB expense of \$921,769 and revenue of \$661,796 for support provided by the State.

At June 30, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 713,913	\$ 212,312
Changes in actuarial assumptions	224,498	4,041,925
Differences between projected and actual investment earnings	2,353	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	49	618,368
Total as of August 31, 2017 measurement date	940,813	4,872,605
Contributions paid to TRS subsequent to the measurement date	152,041	-
Total as of fiscal year end	\$1,092,854	\$4,872,605

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

	OPEB Expense Amount
Fiscal Year ended June 30,	
2020	\$ (606,405)
2021	(606,405)
2022	(606,405)
2023	(606,850)
2024	(607,104)
Thereafter	(898,623)

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	\$ 12,206,737	\$ 1,432,371	\$ 185,873	\$ 13,453,235

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

NOTE 18: MEDICARE PART D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Subsidy payments received by TRS-Care on behalf of the District are shown in the table below for fiscal years 2019-2017.

<u>Fiscal Year</u>	<u>Medicare Part D</u>
2019	\$ 69,977
2018	69,580
2017	70,094

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

NOTE 19: RISK MANAGEMENT

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

Health Coverage

The District provides the employees with a health insurance plan. The District paid premiums of \$346 per month per employee, and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to South Texas Health Cooperative which was formed in 1999 by several school districts. The cooperative is governed by a board of directors composed of the superintendents of the member districts. Claims are processed by Continental Benefits and reinsurance has been obtained for specific claims in excess of \$300,000 with no aggregate limit through Swiss RE. If the cooperative ceases to exist or the District decides not to participate, the District will be responsible for any unpaid claims for its employees. The monthly premium per employee for the 2020 school year increased from \$346 to \$353.

La Feria Independent School District Notes to Financial Statements

NOTE 20: FUND BALANCES

The District has classified its fund balances with the following hierarchy as of June 30, 2019:

Nonspendable: The District has inventories of \$62,425 and prepayments of \$61,432.

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

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

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

Unassigned – The unassigned fund balance has no constraints.

	<u>General Fund</u>	<u>Other Governmental Funds</u>		<u>Total Governmental Funds</u>
		<u>Debt Service</u>	<u>Other Funds</u>	
Fund balances:				
Nonspendable:				
Inventories:				
Food service	\$ 62,425	\$ -	\$ -	\$ 62,425
Prepayments:				
General fund	61,432	-	-	61,432
Restricted:				
Food service	306,167	-	-	306,167
Retirement of Long-term Debt	-	287,205	-	287,205
Committed:				
Campus activity funds	-	-	112,334	112,334
Unassigned:	<u>7,553,247</u>	<u>-</u>	<u>-</u>	<u>7,553,247</u>
	<u>\$7,983,271</u>	<u>\$ 287,205</u>	<u>\$ 112,334</u>	<u>\$8,382,810</u>

NOTE 21: CONSTRUCTION COMMITMENTS

At June 30, 2019, the District had a contract with Hellas Construction, Inc. for the renovation of the High School Track and Field in the amount of \$1,587,300. In addition to the Hellas contract, the District also had a contract with Rike Ogden Figueroa Alex Architects, Inc. for construction administration services in the amount of \$34,000. The commitment outstanding at June 30, 2019 was \$859,587 for construction and \$20,400 for construction administration.

La Feria Independent School District Notes to Financial Statements

NOTE 22: PRIOR PERIOD ADJUSTMENT

During fiscal period 2019, the District business office staff completed a thorough review of the balance recorded in 1290 Due from Others and determined there was inadequate support for the \$213,997 balance. The balance had accumulated from journal entries over several prior years under prior administration. After the completion of the review, it was determined that a correction of an error was required so a prior period adjustment was posted to clear this balance.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

LA FERIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE TEN MONTHS ENDED JUNE 30, 2019

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	\$ 4,840,000	\$ 4,840,000	\$ 5,088,227	\$ 248,227
5800 State Program Revenues	26,695,000	26,695,000	26,249,567	(445,433)
5900 Federal Program Revenues	3,545,800	3,545,800	3,015,567	(530,233)
5020 Total Revenues	35,080,800	35,080,800	34,353,361	(727,439)
EXPENDITURES:				
Current:				
0011 Instruction	15,257,813	15,378,804	14,536,764	842,040
0012 Instructional Resources and Media Services	421,159	421,159	337,447	83,712
0013 Curriculum and Instructional Staff Development	466,026	442,774	364,796	77,978
0021 Instructional Leadership	829,810	734,310	732,774	1,536
0023 School Leadership	2,534,273	2,534,273	2,246,590	287,683
0031 Guidance, Counseling and Evaluation Services	894,207	894,207	741,036	153,171
0032 Social Work Services	32,930	32,930	21,599	11,331
0033 Health Services	271,945	271,945	262,151	9,794
0034 Student (Pupil) Transportation	1,501,598	1,589,359	1,452,404	136,955
0035 Food Services	2,855,800	2,850,800	2,327,233	523,567
0036 Extracurricular Activities	1,970,221	1,970,221	1,743,602	226,619
0041 General Administration	1,457,758	1,457,758	1,367,827	89,931
0051 Facilities Maintenance and Operations	5,148,703	4,948,703	3,957,607	991,096
0052 Security and Monitoring Services	41,953	41,953	41,372	581
0053 Data Processing Services	814,804	664,804	606,801	58,003
0061 Community Services	38,800	38,800	15,238	23,562
Debt Service:				
0071 Principal on Long-Term Debt	240,000	290,000	301,243	(11,243)
0072 Interest on Long-Term Debt	105,000	75,000	74,937	63
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	641,313	(641,313)
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	10,000	10,000	-	10,000
0099 Other Intergovernmental Charges	68,000	68,000	65,248	2,752
6030 Total Expenditures	34,960,800	34,715,800	31,837,982	2,877,818
1100 Excess of Revenues Over Expenditures	120,000	365,000	2,515,379	2,150,379
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	25,000	25,000
8911 Transfers Out (Use)	(120,000)	(365,000)	-	365,000
7080 Total Other Financing Sources (Uses)	(120,000)	(365,000)	25,000	390,000
1200 Net Change in Fund Balances	-	-	2,540,379	2,540,379
0100 Fund Balance - September 1 (Beginning)	5,656,889	5,656,889	5,656,889	-
1300 Prior Period Adjustment	-	-	(213,997)	(213,997)
3000 Fund Balance - June 30 (Ending)	\$ 5,656,889	\$ 5,656,889	\$ 7,983,271	\$ 2,326,382

LA FERIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE TEN MONTHS ENDED JUNE 30, 2019

	Measurement Year Ended August 31,				
	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0174586574%	0.0185185195%	0.0188397011%	0.0193039000%	0.0112716000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 9,609,669	\$ 5,921,225	\$ 7,119,243	\$ 6,823,672	\$ 3,010,800
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	19,133,402	11,841,829	14,416,244	13,900,128	11,676,975
Total	<u>\$ 28,743,071</u>	<u>\$ 17,763,054</u>	<u>\$ 21,535,487</u>	<u>\$ 20,723,800</u>	<u>\$ 14,687,775</u>
District's Covered Payroll	\$ 21,838,136	\$ 22,240,488	\$ 21,926,324	\$ 21,183,150	\$ 20,314,011
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	44.00%	26.62%	32.47%	32.21%	14.82%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	73.74%	82.17%	78.00%	78.43%	83.25%

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

LA FERIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE TEN MONTHS ENDED JUNE 30, 2019

	Fiscal Year Ended				
	June 30,	August 31,			
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 505,994	\$ 590,609	\$ 606,319	\$ 598,585	\$ 571,598
Contribution in Relation to the Contractually Required Contribution	<u>(505,994)</u>	<u>(590,609)</u>	<u>(606,319)</u>	<u>(598,585)</u>	<u>(576,173)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,575)</u>
District's Covered Payroll	\$ 18,028,259	\$ 21,838,136	\$ 22,240,488	\$ 21,926,324	\$ 21,183,150
Contributions as a percentage of Covered Payroll	2.81%	2.70%	2.73%	2.73%	2.70%

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

LA FERIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE TEN MONTHS ENDED JUNE 30, 2019

	Measurement Year Ended August 31,	
	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0269436973%	0.0280703378%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 13,453,235	\$ 12,206,737
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	18,194,216	16,689,527
Total	<u>\$ 31,647,451</u>	<u>\$ 28,896,264</u>
District's Covered Payroll	\$ 21,838,136	\$ 22,240,488
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	61.60%	54.89%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	1.57%	0.91%

Note: Only two years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

LA FERIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE TEN MONTHS ENDED JUNE 30, 2019

	Fiscal Year Ended	
	June 30, 2019	August 31, 2018
Contractually Required Contribution	\$ 152,041	\$ 185,873
Contribution in Relation to the Contractually Required Contribution	<u>(152,041)</u>	<u>(185,873)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 18,028,259	\$ 21,838,136
Contributions as a percentage of Covered Payroll	0.84%	0.85%

Note: Only two years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

La Feria Independent School District Notes to Required Supplementary Information

I. Budgets

The official school original budget was prepared for adoption for required Governmental Fund Types by August 27, 2018. The budget was formally adopted by the Board of School Trustees at a duly advertised public meeting prior to the expenditure of funds. The Board also approved amendments throughout the year and the final amended budget by June 30, 2019. Expenditures may not legally exceed budgeted appropriations at the function level. However, there were expenditures in excess of budgeted appropriations in the general fund for debt service principal (function 72 \$11,243) and facilities acquisition and construction (function 81 \$641,313). The variance in debt service principal was the result of underestimating the principal amount for the period on the capital lease for copiers. The facilities acquisition and construction variance was for the renovation of the football field turf and track which was not budgeted for school year 2018-2019. Construction started in late May and the portion of the work completed prior to June 30 was recorded as a liability at year end creating the budget variance. Annual budgets were adopted for the General fund, the Child Nutrition Program and the Debt Service Fund on a basis consistent with generally accepted accounting principles. The Child Nutrition Program and Debt Service Fund budget comparison schedules are presented in the Other Supplementary section of the financial statements.

II. Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at the time are to be either cancelled or appropriately provided for in the subsequent year's budget.

III. Pension

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

Changes of assumptions – The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability during the measurement period:

The total pension liability as of August 31, 2018 was developed using the roll-forward method of August 31, 2017 valuation.

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.

Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.

The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.

The long term assumed rate of return changed from 8.0% to 7.25%.

La Feria Independent School District Notes to Required Supplementary Information

IV. Notes to Required Supplementary Information – OPEB

Changes of benefit terms – The following are changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Created a high-deductible health plan that provides for a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.

Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.

Allowed the System to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.

Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.

Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

Changes of assumptions – The following are changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018.

The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020.

Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017.

The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018.

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

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

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

TEXAS EDUCATION AGENCY

REQUIRED SCHEDULES

LA FERIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 TEN MONTHS ENDED JUNE 30, 2019

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
2011	1.040000	0.296000	331,039,817
2012	1.040000	0.296000	331,172,840
2013	1.040000	0.260000	335,392,755
2014	1.170000	0.129100	376,670,030
2015	1.170000	0.129100	347,382,936
2016	1.170000	0.129100	348,274,281
2017	1.170000	0.129100	377,980,359
2018	1.170000	0.129100	384,577,869
2019 (School year under audit)	1.170000	0.129100	394,664,074
1000	Totals June 30, 2019		
	July and August 31, 2019 Collections		
	TOTALS AUGUST 31, 2019		

During the fiscal year 2019, the District converted from August 31st to a June 30th year-end. As such, 2019 only reflects ten months of data. The information above has been reconciled to reflect twelve months of collection information.

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$ 197,777	\$ -	\$ 9,621	\$ 2,114	\$ (5,265)	\$ 180,777
38,451	-	2,470	703	(1,935)	33,343
44,790	-	3,183	906	(1,936)	38,765
50,116	-	3,072	768	(1,950)	44,326
58,841	-	5,779	638	(1,542)	50,882
55,419	-	12,049	1,330	(1,858)	40,182
78,854	-	14,453	1,595	(1,709)	61,097
122,477	-	31,885	3,518	(11,357)	75,717
277,122	-	105,477	11,639	(14,429)	145,577
-	5,410,935	4,526,472	499,459	(21,232)	363,772
<u>\$ 923,847</u>	<u>\$ 5,410,935</u>	<u>\$ 4,714,461</u>	<u>\$ 522,670</u>	<u>\$ (63,213)</u>	<u>\$ 1,034,438</u>
-	-	114,026	12,957	10,852	(116,131)
<u>\$ 923,847</u>	<u>\$ 5,410,935</u>	<u>\$ 4,828,487</u>	<u>\$ 535,627</u>	<u>\$ (52,361)</u>	<u>\$ 918,307</u>

LA FERIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE TEN MONTHS ENDED JUNE 30, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 150,000	\$ 150,000	\$ 147,962	\$ (2,038)
5800 State Program Revenues	35,000	35,000	62,131	27,131
5900 Federal Program Revenues	2,895,800	2,895,800	2,339,000	(556,800)
5020 Total Revenues	<u>3,080,800</u>	<u>3,080,800</u>	<u>2,549,093</u>	<u>(531,707)</u>
EXPENDITURES:				
Current:				
0035 Food Services	2,855,800	2,850,800	2,327,233	523,567
0051 Facilities Maintenance and Operations	225,000	225,000	109,447	115,553
Debt Service:				
0071 Principal on Long-Term Debt	-	4,500	1,054	3,446
0072 Interest on Long-Term Debt	-	500	193	307
6030 Total Expenditures	<u>3,080,800</u>	<u>3,080,800</u>	<u>2,437,927</u>	<u>642,873</u>
1200 Net Change in Fund Balances	-	-	111,166	111,166
0100 Fund Balance - September 1 (Beginning)	<u>257,425</u>	<u>257,425</u>	<u>257,425</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 257,425</u>	<u>\$ 257,425</u>	<u>\$ 368,591</u>	<u>\$ 111,166</u>

LA FERIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE TEN MONTHS ENDED JUNE 30, 2019

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	\$ 550,000	\$ 550,000	\$ 529,993	\$ (20,007)
5800 State Program Revenues	1,380,250	1,380,250	1,273,724	(106,526)
5020 Total Revenues	1,930,250	1,930,250	1,803,717	(126,533)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	1,085,000	1,085,000	1,085,000	-
0072 Interest on Long-Term Debt	844,250	844,250	430,762	413,488
0073 Bond Issuance Cost and Fees	1,000	1,000	750	250
6030 Total Expenditures	1,930,250	1,930,250	1,516,512	413,738
1200 Net Change in Fund Balances	-	-	287,205	287,205
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ 287,205	\$ 287,205

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COMPLIANCE SECTION

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

To the Board of Trustees
La Feria Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the La Feria Independent School District as of and for the ten months ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the La Feria Independent School District's basic financial statements, and have issued our report thereon dated November 18, 2019.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the La Feria Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Harlingen, Texas
November 18, 2019

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Harlingen, TX 78550-9122

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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees
La Feria Independent School District

Report on Compliance for Each Major Federal Program

We have audited the La Feria Independent School District’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the La Feria Independent School District’s major federal program for the ten months ended June 30, 2019. La Feria Independent School District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditors’ Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the La Feria 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 the major federal program for the ten months ended June 30, 2019.

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Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Harlingen, Texas
November 18, 2019

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LA FERIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
TEN MONTHS ENDED JUNE 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes none reported

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? yes no

LA FERIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
TEN MONTHS ENDED JUNE 30, 2019

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

A. Financial Statement Findings

None noted that were required to be reported

B. Compliance Findings

None noted that were required to be reported

LA FERIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
TEN MONTHS ENDED JUNE 30, 2019

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

None noted that were required to be reported

LA FERIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
TEN MONTHS ENDED JUNE 30, 2019

<u>SCHEDULE REFERENCE NUMBER</u>	<u>STATUS OF PRIOR YEAR FINDING/NEW COMPLIANCE</u>
Schedule Reference Number (2018-001)	Excess Cost- IDEA, Part B The District CFO has performed the calculation of excess cost for IDEA, Part B and the District successfully monitored its compliance requirement throughout the year.



**Mrs. Cathy Lee Hernandez,
Superintendent of Schools**

203 E. Oleander
La Feria, Texas 78559
(956) 797-8300 • Fax (956) 797-3737



*SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
CORRECTIVE ACTION PLAN
TEN MONTHS ENDED JUNE 30, 2019*

No management responses were required to be reported

Contact Person: Antonio Aguilar, Chief Financial Officer

Implementation Time Frame: Ongoing during the current fiscal year

La Feria I.S.D. School Board

Juan Briones
President

Katie Johnson
Vice-President

Lisa Montalvo
Secretary

Gloria Casas
Member

Michael Martinez
Member

Michelle Gomez-Vela
Member

Ruben Zambrano
Member

LA FERIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TEN MONTHS ENDED JUNE 30, 2019

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-through Entity Identifying Number	(4) Provided to Subrecipients	(5) Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<u>Passed Through the State Department of Agriculture</u>				
*School Breakfast Program	10.553	71401901	\$ -	\$ 649,059
*National School Lunch Program- Cash Assistance	10.555	71301901	-	1,385,211
*National School Lunch Program- Non-Cash Assistance	10.555	196TX332N1099	-	189,161
Total National School Lunch Program				<u>1,574,372</u>
Total Child Nutrition Cluster				<u>2,223,431</u>
Child and Adult Food Care Program	10.558	186TX332N1099	-	115,569
Total Passed Through State Department of Agriculture				<u>2,339,000</u>
				2,339,000
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
U.S. DEPARTMENT OF EDUCATION				
<u>Passed Through State Department of Education</u>				
Title I Grants to Local Educational Agencies	84.010	19610101031905	-	1,678,605
Migrant Education State Grant Program	84.011	19615001031905	-	319,438
Special Education Cluster				
*IDEA Part B	84.027	186600010319056600	-	48,612
*IDEA Part B	84.027	196600010319056600	-	595,959
*IDEA Part B, Preschool	84.173	186610010319056600	-	3,699
*IDEA Part B, Preschool	84.173	196610010319056600	-	5,734
Total Special Education Cluster				<u>654,004</u>
Career and Technical Education - Basic Grants to States	84.048	19420006031905	-	64,410
English Language Acquisition State Grants	84.365	19671001031905	-	127,232
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	19694501031905	-	50,919
Grants for State Assessments and Related Activities	84.369	69551802	-	1,252
Student Support and Academic Enrichment Program	84.424	19680101031905	-	101,184
Total Passed Through State Department of Education				<u>2,997,044</u>
<u>Passed Through Region One ESC</u>				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334A180024	-	51,485
Teacher and School Leader Incentive Grants (formerly Teacher Incentive Fund)	84.374	108950	-	12,157
				<u>63,642</u>
<u>Passed Through Region 20 ESC</u>				
IDEA Part B - Evaluation Capacity Grant	84.027	2265431901015	-	18,954
TOTAL U.S. DEPARTMENT OF EDUCATION				
				<u>3,079,639</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<u>Passed Through Texas Department of Human Services</u>				
Medial Assistance Program	93.778	529-07-0157-00198	-	13,383
TOTAL EXPENDITURES OF FEDERAL AWARDS				
			-	<u>\$ 5,432,023</u>

* Clustered Programs

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

Exhibit K-2

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 – PROGRAM REPORTING

SHARS, MAC and \$111,003 of indirect cost are accounted for in the general fund. The National School Lunch Program, School Breakfast Program Commodity Supplemental Food Program, and Child and Adult Care Food Program are accounted for in the Child Nutrition Program. Expenditures are not specifically attributable to these revenues and are shown on this schedule in an amount equal to revenue for balancing purposes only.

Reconciliation

Total expenditures of federal awards, per Exhibit K-1	\$5,432,023
General fund – Federal Revenue	
School Health and Related Services (SHARS) revenue	<u>552,182</u>
Total Federal Revenues, per Exhibit C-3	<u>\$5,984,205</u>

NOTE 3 – SUB-RECIPIENTS

During the ten months ended June 30, 2019, the La Feria Independent School District had no sub-recipients.

NOTE 4 – FEDERAL LOANS AND LOAN GUARANTEES

During the ten months ended June 30, 2019, the District had no outstanding federal loans payable or loan guarantees.

NOTE 5 – FEDERALLY FUNDED INSURANCE

During the ten months ended June 30, 2019, the District had no federally funded insurance.

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

Exhibit K-2

NOTE 6 – NONCASH AWARDS

During the ten months ended June 30, 2019, the District received \$189,161 of federal awards in the form of noncash assistance.

NOTE 7 – INDIRECT COST RATE

The Uniform Guidance allows an organization to elect a 10% de minimus indirect cost rate. For the ten months ended June 30, 2019, the District did not elect to use this rate.