

# LA VILLA INDEPENDENT SCHOOL DISTRICT



**Annual Financial Report  
For the fiscal year ended  
August 31, 2019**

**Raul Hernandez & Company, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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**LA VILLA INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED  
AUGUST 31, 2019**



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ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2019

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CERTIFICATE OF BOARD

La Villa Independent School District  
Name of School District

Hidalgo  
County

108914  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2019 at a meeting of the Board of Trustees of such school district on the 14th of January, 2020.

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

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

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is(are):  
(attach list as necessary)

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# **Raul Hernandez & Company, P.C.**

Certified Public Accountants  
5402 Holly Rd, Suite 102  
Corpus Christi, Texas 78411  
Office (361)980-0482 Fax (361)980-1002

## **INDEPENDENT AUDITORS' REPORT**

La Villa Independent School District  
500 East 9<sup>th</sup> Street  
La Villa, Texas 78562

### **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 La Villa Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the La Villa Independent School 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.



## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the La Villa Independent School District, as of August 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual- General Fund, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of the District Contributions-Teacher Retirement System of Texas, and Schedule of the District Proportionate Share of the Net OPEB Liability-Teacher Retirement System of Texas, the Schedule of District Contributions to the Teacher Retirement System of Texas OPEB Plan, and the related Notes to Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the La Villa Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, the TEA required schedules, and schedule of expenditures of federal awards, *as required by Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the TEA required schedules, and 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 combining and individual nonmajor fund financial statements, the TEA required schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The combining and individual nonmajor fund financial statements, the TEA required schedules, and schedule of expenditures of federal awards have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2020, on our consideration of the La Villa Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering La Villa Independent School District's internal control over financial reporting and compliance.

*Raul Hernandez & Company, P.C.*

Corpus Christi, Texas

January 14, 2020

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of La Villa Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2019. Please read it in conjunction with the independent auditors' report on page 1, and the District's Basic Financial Statements, which begin on page 12.

### FINANCIAL HIGHLIGHTS

- The District's net position was \$857,691, which is a (\$1,749,745) decrease compared to last year's balance of \$2,607,436. The decrease is due to the effect of an increase in expenditures in governmental activities.
- During the year, the District had tax revenues of \$1,518,500 which included \$1,187,294 and \$331,206 for property taxes, levied for general purposes and debt service, respectively.
- The General Fund ended the year with a fund balance of \$355,145 which is a decrease of (\$1,616,984) from the prior year. The Debt Service Fund ended the year with a fund balance of \$79,224, which represents an increase from the prior year of \$78,195. Capital Projects funds had a total fund balance of \$1,099,180, which was a decrease of (\$1,266,059).
- Revenues from governmental activities were \$7,965,483, which represents a \$1,563,794 increase from the prior year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. 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 maintains one type of proprietary fund, an internal service fund. The Internal service fund is used to report activities of the District's self-insurance program. Because these services predominately benefit governmental rather than business-type functions, the Internal Service Fund is reported with *governmental activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Internal Service Fund is presented as a single, aggregated presentation in the proprietary fund financial statements.

- *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.
- *Notes to the financial statements.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.
- *Other information.* In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the district's progress in funding its obligation to provide pension benefits to its employees. Immediately following the required supplementary information on pensions are the two budgetary schedules on the general fund and major special revenue fund. The combining statements in connection to nonmajor governmental funds and fiduciary funds are then presented.

The financial statements also include notes that explain some of the information in the financial statements and provide data that are more detailed. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-1 Major Features of the District's Government-wide and Fund Financial Statements**

<u>Type of Statements</u>	<u>Government-wide</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
<u>Scope</u>	Entire district Government (except Fiduciary funds) and the district's component units	The activities of the district that are not proprietary or fiduciary	Activities of District similar to private business; self insurance	Instances in which the district is the trustee or agent for someone else's resources
<u>Required Financial Statements</u>	<i>Statement of Net position</i> <i>Statement of Activities</i>	<i>Balance Sheet</i> <i>Statement of revenues, expenditures &amp; changes in fund balances</i> <i>Statement of cash flows</i>	<i>Statement of net position</i> <i>Statement of rev, exp, &amp; changes in net position</i> <i>Statement of flows</i>	<i>Statement of fiduciary net position</i> <i>Statement of in fiduciary net position</i>
<u>Accounting basis and measurement focus</u>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial	Accrual accounting and economic focus	Accrual accounting economic resources focus

## USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net position and the Statement of Activities (on pages 12 and 13). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 14) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 19) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The section labeled Other Schedules contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

### Reporting the District as a Whole

#### *The Statement of Net position and the Statement of Activities*

The analysis of the District's overall financial condition and operations begins on page 12. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net position and the Statement of Activities, we present the District's one kind of activity:

- Governmental activities--Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.



## **Reporting the District's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the Every Student Succeeds Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's governmental funds use the following accounting approach:

- Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

## **The District as Trustee**

### ***Reporting the District's Fiduciary Responsibilities***

- The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net position on page 18. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The District implemented GASB Statement #34 in 2001. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental-type activities between current and prior year.

Net position of the District's governmental activities decreased from \$2,607,436 to \$857,691. The decrease is due to an increase in expenditures. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was (\$4,547,214) at August 31, 2018 which represents a (\$1,905,957) decrease from prior year. The District's expenditures exceeded revenues by \$1,749,745. The District paid bonds and other long-term debt in the amount of \$406,490. Furthermore, acquired capital assets, including completed capital projects, amounted to a net after disposals, before depreciation, of \$1,422,043. The District recorded depreciation in the amount of \$446,588. In addition, accumulated depreciation was \$7,100,388 as of August 31, 2019. (See note D on page 29)

Total Revenue increased by \$1,563,794 in fiscal 2019. Operating Grants and Contributions, accounted for a majority of the decrease. Total Expenditures increased by \$2,802,853 during the year. Significant increases included Instruction and General Administration.

The District has no business-type activities.

**Table 1**  
**LA VILLA INDEPENDENT**  
**SCHOOL DISTRICT**

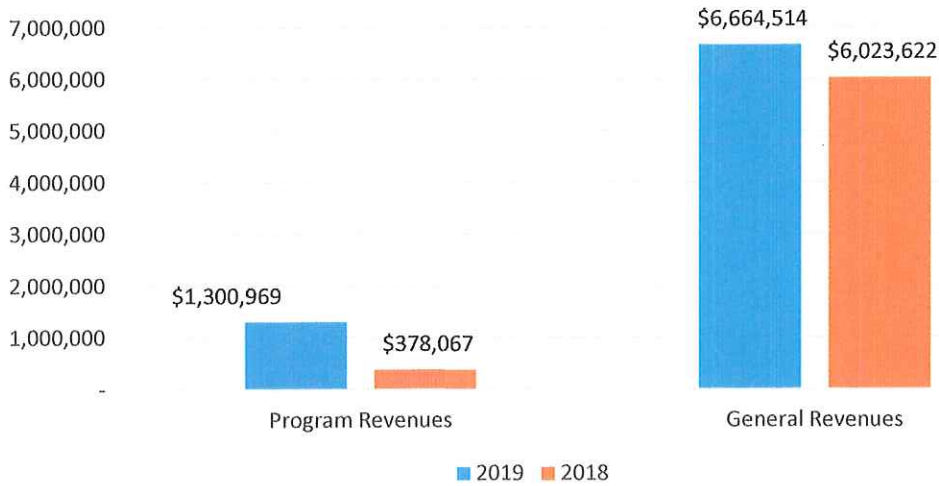
	Governmental Activities		Change
	2019	2018	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,156,715	\$ 4,508,623	\$ (2,351,908)
Property Taxes Receivable (Delinquent)	235,981	317,044	(81,063)
Allowance for Uncollectible Taxes	(47,557)	(47,557)	-
Due from Other Governments	575,528	420,801	154,727
Total Current Assets:	<u>2,920,667</u>	<u>5,198,911</u>	<u>(2,278,244)</u>
Capital Assets:			
Land	147,793	147,793	-
Buildings, Net	9,935,823	10,266,020	(330,197)
Furniture and Equipment, Net	531,909	356,149	175,760
Construction in Progress	2,858,423	1,728,532	1,129,891
Total Noncurrent Assets	<u>13,473,948</u>	<u>12,498,494</u>	<u>975,454</u>
Total Assets	<u>\$ 16,394,615</u>	<u>\$ 17,697,404</u>	<u>\$ (1,302,789)</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge for Refunding	88,814	97,780	(8,966)
Deferred Outflow Related to TRS Pension	1,697,652	613,065	1,084,587
Deferred Outflow Related to TRS OPEB	915,510	48,551	866,959
Total Deferred Outflows of Resources	<u>2,701,976</u>	<u>759,396</u>	<u>1,942,580</u>
<b>LIABILITIES</b>			
Accounts Payable	438,905	204,648	234,257
Interest Payable	14,702	14,410	292
Accrued Wages Payable	183,037	225,390	(42,353)
Due to Fiduciary Funds	14,135	119,108	(104,973)
Due to Other Governments	539,842	15,407	524,435
Due to Student Groups	-	2,951	(2,951)
Accrued Expenses	5,763	6,512	(749)
Noncurrent Liabilities			
Due Within One Year	462,286	453,777	8,509
Due in More Than One Year	8,802,173	9,299,046	(496,873)
Net Pension Liability (District's Share)	2,760,416	1,391,738	1,368,678
Net OPEB Liability (District's Share)	3,613,721	2,658,435	955,286
Total Liabilities	<u>16,834,980</u>	<u>14,391,422</u>	<u>2,443,558</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred Inflow Related to TRS Pension	261,174	345,914	(84,740)
Deferred Inflow Related to TRS OPEB	1,142,746	1,112,029	30,717
Total Deferred Inflows of Resources	<u>1,403,920</u>	<u>1,457,943</u>	<u>(54,023)</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	4,209,489	2,843,450	1,366,039
Restricted for Federal and State Programs	17,012	38,975	(21,963)
Restricted for Debt Service	79,224	1,029	78,195
Restricted for Capital Projects	1,099,180	2,365,239	(1,266,059)
Unrestricted	(4,547,214)	(2,641,257)	(1,905,957)
Total Net Position	<u>\$ 857,691</u>	<u>\$ 2,607,436</u>	<u>\$ (1,749,745)</u>

**Table II**  
**LA VILLA INDEPENDENT**  
**SCHOOL DISTRICT**

<b>REVENUES</b>	<b>Governmental Activities 2019</b>	<b>Governmental Activities 2018</b>	<b>Change</b>
<b>Program Revenues:</b>			
Charges for Services	\$ 62,804	\$ 30,992	\$ 31,812
Operating Grants and Contributions	1,238,165	347,075	891,090
<b>General Revenues:</b>			
Property Taxes, Levied for General Purposes	1,187,294	1,146,903	40,391
Property Taxes, Levied for Debt Service	331,206	134,505	196,701
Grants and Contributions not Restricted	5,131,570	4,724,205	407,365
Investment Earnings	14,444	18,009	(3,565)
Total Revenue	7,965,483	6,401,689	1,563,794
<b>Expenses:</b>			
Instruction	4,151,626	2,802,359	1,349,267
Instructional Resources and Media Services	123,623	83,738	39,885
Curriculum and Instructional Staff Development	266,900	174,985	91,915
Instructional Leadership	16,081	-	16,081
School Leadership	651,754	310,839	340,915
Guidance, Counseling, and Evaluation Services	234,970	139,652	95,318
Health Services	123,574	77,384	46,190
Student (Pupil) Transportation	175,783	99,474	76,309
Food Services	553,751	506,230	47,521
Extracurricular Activities	516,182	319,117	197,065
General Administration	971,186	517,161	454,025
Facilities Maintenance and Operations	1,270,972	1,296,197	(25,225)
Security and Monitoring Services	107,646	71,122	36,524
Data Processing Services	167,812	151,056	16,756
Community Services	34,183	332	33,851
Debt Service - Interest on Long Term Debt	274,145	175,463	98,682
Debt Service - Bond Issuance Cost and Fees	61,549	177,453	(115,904)
Other Intergovernmental Charges	13,491	9,813	3,678
Total Expenses	9,715,228	6,912,375	2,802,853
<b>Change in Net Position</b>	(1,749,745)	(510,686)	(1,239,059)
Net Position - Beginning of Year	2,607,436	7,779,671	(5,172,235)
Prior Period Adjustment Required by GASB 68	-	(4,661,549)	4,661,549
Net Position - End of Year	\$ 857,691	\$ 2,607,436	\$ (1,749,745)

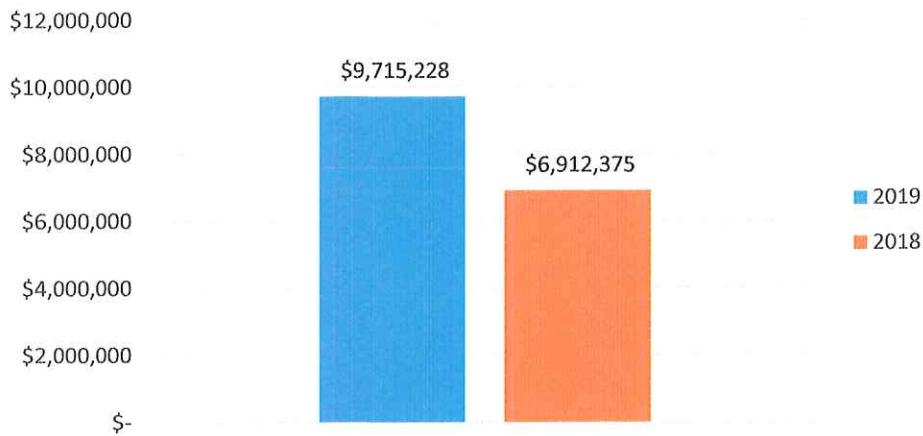
**Figure 1**

**Governmental Activities - Revenues by Source  
(in dollars)**



**Figure 2**

**Governmental Activities - Expenses by Source  
(in dollars)**



**THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$1,550,561, which represents a decrease of (\$2,804,848) over last year's total of \$4,355,409.

The District's General Fund balance of \$355,145 reported on page 50, differs from the General Fund's budgetary fund balance of \$188,303 reported in the budgetary comparison schedule, which is a difference of \$166,842

## CAPITAL ASSET AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of 2019, the District had about \$20 million invested in a broad range of capital assets, including land, construction in progress, buildings, and furniture & equipment.

This year's major additions included:

	<u>2019</u>	<u>2018</u>
Land	\$ 147,793	\$ 147,793
Buildings and Improvements	15,760,365	15,760,365
Furniture and Equipment	1,807,758	1,515,606
Construction in Progress	<u>2,858,423</u>	<u>1,728,532</u>
Totals at Historical Costs	20,574,339	19,152,296
Accumulated Depreciation	<u>(7,100,388)</u>	<u>(6,653,802)</u>
Total Capital Assets (Net)	<u>\$ 13,473,951</u>	<u>\$ 12,498,494</u>

More detailed information about the District's capital assets is presented in Note D (page 29) to the financial statements.

### *Debt*

At year-end, the District had \$9,264,458 in bonds and other long-term debt outstanding, which had a net decrease from the prior year balance of (\$488,364).

More detailed information about the District's long-term liabilities is presented in Note G (page 31) to the financial statements.

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

### Budget

- The Certified Adjusted Freeze Taxable value used for the 2019-2020 budget increased by \$8,933,858 or 8% from \$99,528,183 to \$108,462,041.
- The District's 2019-2020 budget was planned on 541.5 refined average daily attendance, up 21.19 from the 2018-2019 near final actual of 520.31, a 3.9% increase.

The following indicators were taken into account when adopting the general operating fund budget for 2019-2020:

- HB3 changes to funding formula elements include: an increase in basic allotment (from \$5,140 in 2018-2019 to \$6,160 in 2019-2020 per student), a decrease in Per Capita Rate (from \$486.231 in 2018-2019 to \$259.207 in 2019-2020), and an increase in the Guaranteed Yield Weight (from \$532.309 in 2018-2019 to \$685.014 in 2019-2020).
- For 2019-2020 the Board of Trustees approved a salary increase for teachers, librarians, non-teaching professionals, paraprofessionals and auxiliary staff. The minimum general salary increase for teachers and librarians is tiered as follows: The compensation plan

indicates the entry level salary for beginning “zero” year teachers at a minimum of \$49,000 and new to La Villa ISD with “20+” years’ experience at a maximum of \$62,311 salary. The compensation plan indicates a 5% of pay range midpoint increase for non-teaching professionals as per their classification on the compensation plan. The compensation plan indicates a 7.2% of pay range midpoint increase for paraprofessionals and auxiliary staff as per their classification on the compensation plan. The employer health contribution rate increased to \$4,415 for 2019-2020 compared to \$4,404 for 2018-2019 an increase of \$11.

#### Standard & Poors Rating

- The District’s 2019 Maintenance Tax Notes were assigned a Standards and Poors rating of “A-”.

#### Taxes

- The tax rate for 2019-2020 is \$1.0684 for Maintenance & Operations and \$.4154 for Interest & Sinking for a total tax rate of \$1.4838. The Hidalgo County Appraisal District estimated an 8% increase in 2019 Net Taxable Property Values. The Hidalgo County Appraisal District reviews and assesses property values based on the local real estate market within the District’s geographical taxing jurisdiction.

#### Facilities

- 2018 Bond Proceeds have been utilized in the AG Farm Renovation which started in FY 2018-2019 and is scheduled to be completed in 2019-2020.
- An Energy Conservation Project is scheduled to start in FY 2019-2020, the project will be funded with proceeds from a \$1.4MM SECO Loan and proceeds from a Maintenance Tax Note (\$822K). Proceeds from the Maintenance Tax Note will also be used to replace weathered roofs at all three (3) campuses. These projects will also reduce energy consumption costs.
- The District has engaged in a Chapter 313 Agreement with Tera-Gen LLC. The District anticipates future revenue sources resulting from the Wind Farms being built in the City of La Villa.

### **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 show 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, at La Villa Independent School District, P O Box 10, La Villa, Texas, 78588.

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## **BASIC FINANCIAL STATEMENTS**



LA VILLA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2019

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 2,156,715
1220 Property Taxes - Delinquent	235,981
1230 Allowance for Uncollectible Taxes	(47,557)
1240 Due from Other Governments	575,528
Capital Assets:	
1510 Land	147,793
1520 Buildings, Net	9,935,823
1530 Furniture and Equipment, Net	531,909
1580 Construction in Progress	2,858,423
1000 Total Assets	16,394,615
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	88,814
1705 Deferred Outflow Related to TRS Pension	1,697,652
1706 Deferred Outflow Related to TRS OPEB	915,510
1700 Total Deferred Outflows of Resources	2,701,976
<b>LIABILITIES</b>	
2110 Accounts Payable	438,905
2140 Interest Payable	14,702
2160 Accrued Wages Payable	183,037
2177 Due to Fiduciary Funds	14,135
2180 Due to Other Governments	539,842
2200 Accrued Expenses	5,763
Noncurrent Liabilities:	
2501 Due Within One Year	462,286
2502 Due in More Than One Year	8,802,173
2540 Net Pension Liability (District's Share)	2,760,416
2545 Net OPEB Liability (District's Share)	3,613,721
2000 Total Liabilities	16,834,980
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	261,174
2606 Deferred Inflow Related to TRS OPEB	1,142,746
2600 Total Deferred Inflows of Resources	1,403,920
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	4,209,489
3820 Restricted for Federal and State Programs	17,012
3850 Restricted for Debt Service	79,224
3860 Restricted for Capital Projects	1,099,180
3900 Unrestricted	(4,547,214)
3000 Total Net Position	\$ 857,691

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

LA VILLA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 4,151,626	\$ 30,259	\$ 483,016	\$ (3,638,351)
12 Instructional Resources and Media Services	123,623	-	-	(123,623)
13 Curriculum and Instructional Staff Development	266,900	-	216,082	(50,818)
21 Instructional Leadership	16,081	-	16,081	-
23 School Leadership	651,754	-	10,399	(641,355)
31 Guidance, Counseling and Evaluation Services	234,970	-	223	(234,747)
33 Health Services	123,574	-	31,431	(92,143)
34 Student (Pupil) Transportation	175,783	-	-	(175,783)
35 Food Services	553,751	12,300	451,397	(90,054)
36 Extracurricular Activities	516,182	20,245	-	(495,937)
41 General Administration	971,186	-	548	(970,638)
51 Facilities Maintenance and Operations	1,270,972	-	-	(1,270,972)
52 Security and Monitoring Services	107,646	-	-	(107,646)
53 Data Processing Services	167,812	-	-	(167,812)
61 Community Services	34,183	-	28,988	(5,195)
72 Debt Service - Interest on Long-Term Debt	274,145	-	-	(274,145)
81 Capital Outlay	61,549	-	-	(61,549)
99 Other Intergovernmental Charges	13,491	-	-	(13,491)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 9,715,228</b>	<b>\$ 62,804</b>	<b>\$ 1,238,165</b>	<b>\$ (8,414,259)</b>

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		1,187,294
DT	Property Taxes, Levied for Debt Service		331,206
GC	Grants and Contributions not Restricted		5,131,570
IE	Investment Earnings		14,444
TR	<b>Total General Revenues</b>		<b>6,664,514</b>
CN	Change in Net Position		(1,749,745)
NB	Net Position - Beginning		2,607,436
NE	Net Position--Ending		<b>\$ 857,691</b>

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

LA VILLA INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2019

Data Control Codes	10 General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 595,144	\$ 1,518,330	\$ 43,241	\$ 2,156,715
1220 Property Taxes - Delinquent	207,453	-	28,528	235,981
1230 Allowance for Uncollectible Taxes	(42,801)	-	(4,756)	(47,557)
1240 Due from Other Governments	166,918	-	408,608	575,526
1260 Due from Other Funds	536,834	-	176,390	713,224
1000 Total Assets	<u>\$ 1,463,548</u>	<u>\$ 1,518,330</u>	<u>\$ 652,011</u>	<u>\$ 3,633,889</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 79,820	\$ 211,147	\$ 147,937	\$ 438,904
2160 Accrued Wages Payable	166,662	-	16,375	183,037
2170 Due to Other Funds	177,222	208,003	342,132	727,357
2180 Due to Other Governments	515,689	-	24,153	539,842
2200 Accrued Expenditures	4,358	-	1,405	5,763
2000 Total Liabilities	<u>943,751</u>	<u>419,150</u>	<u>532,002</u>	<u>1,894,903</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	164,652	-	23,773	188,425
2600 Total Deferred Inflows of Resources	<u>164,652</u>	<u>-</u>	<u>23,773</u>	<u>188,425</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	17,012	17,012
3480 Retirement of Long-Term Debt	-	-	79,224	79,224
Committed Fund Balance:				
3510 Construction	-	1,099,180	-	1,099,180
3600 Unassigned Fund Balance	355,145	-	-	355,145
3000 Total Fund Balances	<u>355,145</u>	<u>1,099,180</u>	<u>96,236</u>	<u>1,550,561</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,463,548</u>	<u>\$ 1,518,330</u>	<u>\$ 652,011</u>	<u>\$ 3,633,889</u>

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

LA VILLA INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2019

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	1,550,561
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		-
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$19,152,296 and the accumulated depreciation was (\$6,653,800). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position. Note: Beginning Balances related to TRS are NOT included in this amount.		2,829,040
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays and debt principal payments is to decrease net position.		(292)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net position liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$1,697,652, a deferred resource inflow in the amount of \$261,174, and a net pension liability in the amount of \$2,760,416. This resulted in an increase (decrease) in net position.		(1,323,938)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$915,510, a deferred resource inflow in the amount of \$1,142,746, and a net OPEB liability in the amount of \$3,613,721. This resulted in an increase (decrease) in net position.		(3,840,957)
6 The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(446,588)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		2,089,865
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>857,691</b>

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

LA VILLA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	10 General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 1,335,695	\$ 9,243	\$ 331,874	\$ 1,676,812
5800 State Program Revenues	4,908,359	-	141,565	5,049,924
5900 Federal Program Revenues	464,732	-	721,975	1,186,707
5020 Total Revenues	6,708,786	9,243	1,195,414	7,913,443
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	3,327,568	-	483,016	3,810,584
0012 Instructional Resources and Media Services	111,174	-	-	111,174
0013 Curriculum and Instructional Staff Development	29,316	-	216,082	245,398
0021 Instructional Leadership	-	-	16,081	16,081
0023 School Leadership	578,779	-	10,399	589,178
0031 Guidance, Counseling and Evaluation Services	214,838	-	223	215,061
0033 Health Services	79,730	-	31,431	111,161
0034 Student (Pupil) Transportation	155,559	-	-	155,559
0035 Food Services	500,807	-	-	500,807
0036 Extracurricular Activities	514,520	-	-	514,520
0041 General Administration	902,980	-	548	903,528
0051 Facilities Maintenance and Operations	1,208,696	2	-	1,208,698
0052 Security and Monitoring Services	102,542	-	-	102,542
0053 Data Processing Services	161,481	-	-	161,481
0061 Community Services	1,488	-	28,988	30,476
Debt Service:				
0071 Principal on Long-Term Debt	31,490	-	375,001	406,491
0072 Interest on Long-Term Debt	911	-	345,850	346,761
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	1,275,300	-	1,275,300
Intergovernmental:				
0099 Other Intergovernmental Charges	13,491	-	-	13,491
6030 Total Expenditures	7,935,370	1,275,302	1,507,619	10,718,291
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,226,584)	(1,266,059)	(312,205)	(2,804,848)
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	390,400	390,400
8911 Transfers Out (Use)	(390,400)	-	-	(390,400)
7080 Total Other Financing Sources (Uses)	(390,400)	-	390,400	-
1200 Net Change in Fund Balances	(1,616,984)	(1,266,059)	78,195	(2,804,848)
0100 Fund Balance - September 1 (Beginning)	1,972,129	2,365,239	18,041	4,355,409
3000 Fund Balance - August 31 (Ending)	\$ 355,145	\$ 1,099,180	\$ 96,236	\$ 1,550,561

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

LA VILLA INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (2,804,848)</b>
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	-
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2019 capital outlays and debt principal payments is to decrease net position.	(292)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(446,588)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	1,820,378
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 \$196,724. 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 \$147,082. 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 \$248,993. The net result in an increase (decrease) in the change in net position.	(199,351)
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 \$46,345. 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 \$48,135. 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 (\$117,254). The net result is an increase (decrease) in the change in net position.	(119,044)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ (1,749,745)</b>

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

LA VILLA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2019

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 90,956
Due from Other Funds	14,134
Total Assets	<u>\$ 105,090</u>
<b>LIABILITIES</b>	
Payroll Deductions and Withholdings Payable	\$ 42,041
Due to Student Groups	63,049
Total Liabilities	<u>\$ 105,090</u>

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

## **NOTES TO THE FINANCIAL STATEMENTS**



# LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For The Year Ended August 31, 2019

## **A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of La Villa Independent School District (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to governmental units in conjunction with the Texas Education Agency’s Financial Accountability System Resource Guide (“Resource Guide”). The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

*Pensions.* The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS’s fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*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 additions 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.

The District applied Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

### **1. REPORTING ENTITY**

The Board of School Trustees (“Board”), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (“TEA”) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental “reporting entity” as defined by the GASB in its Statement No. 14, “The Financial Reporting Entity” and there are no component units included within the reporting entity.

# LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For The Year Ended August 31, 2019

## 2. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

### a. Basis of Presentation

**Government-wide Financial Statements:** The statement of net assets 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 nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund type(s):

**Special Revenue Funds:** The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

**Capital Projects Fund:** The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

# LA VILLA INDEPENDENT SCHOOL DISTRICT

## Notes to the Financial Statements For The Year Ended August 31, 2019

**Permanent Funds:** The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

**Agency Funds:** These funds are used to report student activity funds and other resources held in a purely custody 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.

**Debt Service Funds:** 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.

**Other Special Revenue Funds:** The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

**Fiduciary Funds:** These funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

## 2. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

### b. Measurement Focus, Basis of Accounting

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

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

# LA VILLA INDEPENDENT SCHOOL DISTRICT

## Notes to the Financial Statements For The Year Ended August 31, 2019

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continue to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen to apply future FASB standards.

### 3. FINANCIAL STATEMENT AMOUNTS

#### a. Cash and Cash Equivalents

For purpose of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

#### b. Property Taxes

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 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.

	General Fund	Debt Service Fund	Total
Delinquent Taxes	\$ 207,453	\$ 28,528	\$ 235,981
Allowance for Uncollectible Taxes	(42,801)	(4,756)	(47,557)
Net Taxes	<u>\$ 164,652</u>	<u>\$ 23,772</u>	<u>\$ 188,424</u>

Allowances for uncollectible tax receivables 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.

#### c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide. Certain Payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**LA VILLA INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For The Year Ended August 31, 2019

**d. Capital Assets**

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-40
Building Improvements	20-40
Vehicles	8-10
Office Equipment	5-15
Computer Equipment	5-10

**e. Receivable and Payable Balances**

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

**f. Interfund Activity**

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

**g. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

**h. Data Control Codes**

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

## LA VILLA INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements For The Year Ended August 31, 2019

#### **i. Fund Balances**

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget.

Committed fund balance amounts differ from restricted balances in that the constraints of their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

**Unassigned Fund Balance** – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

#### **j. Pensions**

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

**LA VILLA INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For The Year Ended August 31, 2019

**B. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**1. Finance-Related Legal and Contractual Provisions**

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

**2. Deficit Fund Balance or Fund net Assets of Individual Funds**

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

**3. Budgetary Data**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund, and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J2 and J3.

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

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

**LA VILLA INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For The Year Ended August 31, 2019

**B. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	<u>August 31, 2019</u> <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 504,623
Nonappropriated Budget Funds	<u>997,393</u>
All Special Revenue Funds	<u>\$ 1,502,016</u>

5. Excess of expenditure over appropriations

The following is a list of the excess of expenditures over appropriations, at the legal control by an individual fund.

<u>Fund</u>	<u>Function</u>	<u>Amount of Excess</u>
General Fund	11 - Instruction	(3,253)
General Fund	72 - Interest on Long Term Debt	(911)
Debt Service Fund	72 - Interest on Long Term Debt	(135,450)

**C. DEPOSITS AND INVESTMENTS**

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

**1. Cash Deposits:**

At August 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,247,671 and the bank balance was \$2,217,774. The District's cash deposits at August 31, 2019 and during the year ended August 31, 2019, were entirely covered by the FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.



# LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For The Year Ended August 31, 2019

## C. DEPOSITS AND INVESTMENTS (continued)

### 2. Investments:

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

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practice, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District had no investments at August 31, 2019.

### 3. Analysis of Specific Deposit and Investment Risks

GASB Statement no. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

#### a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end the District was not significantly exposed to credit risk.

#### b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institutions, or collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty’s trust department or agent but not in the District’s name.

At year end, the District was not exposed to custodial credit risk.

## LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For The Year Ended August 31, 2019

### C. DEPOSITS AND INVESTMENTS

#### c. Concentration of Credit Risk

This is the risk that in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to concentration of credit risk.

#### d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

#### e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

### Investment Accounting Policy

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

### Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

**LA VILLA INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For The Year Ended August 31, 2019

**D. CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2019, was as follows:

Capital assets not being depreciated				
Land	\$ 147,793	\$ -	\$ -	\$ 147,793
Construction In Progress	1,728,532	1,129,891	-	2,858,423
Total capital assets not being depreciated	<u>1,876,325</u>	<u>1,129,891</u>	-	<u>3,006,216</u>
Capital assets being depreciated:				
Buildings and Improvements	15,760,365	-	-	15,760,365
Furniture and Equipment	1,515,606	292,152	-	1,807,758
Totals capital assets being depreciated	<u>17,275,971</u>	<u>292,152</u>	-	<u>17,568,123</u>
Less Accumulated Depreciated for:				
Buildings and Improvements	(5,494,344)	(330,197)	-	(5,824,541)
Furniture & Equipment	(1,159,456)	(116,391)	-	(1,275,847)
Total Accumulated Depreciation	<u>(6,653,800)</u>	<u>(446,588)</u>	-	<u>(7,100,388)</u>
Total capital assets being depreciated, net	<u>10,622,171</u>	<u>(154,436)</u>	-	<u>10,467,735</u>
Governmental Activities capital assets, net	<u>\$ 12,498,496</u>	<u>\$ 975,455</u>	<u>\$ -</u>	<u>\$ 13,473,951</u>

Depreciation was charged to functions as follows:

Instruction	\$ 269,029
Instructional Resources and Media Services	7,368
School Leadership	14,737
Guidance, Counseling, & Evaluating Services	7,368
Health Services	3,662
Student (Pupil) Transportation	16,121
Food Services	25,812
Cocurricular/Extracurricular Activities	18,444
General Administration	32,378
Plant Maintenance and Operation	51,669
Total Depreciation Expense	<u>\$ 446,588</u>

**E. INTERFUND BALANCES AND ACTIVITIES**

**1. Transfers To and From Other Funds/Due to and From Other Funds**

Transfers to and from other funds and due to and from other funds at August 31, 2019, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$ 390,400
	Total	<u>\$ 390,400</u>
<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Special Revenue Funds	General Fund	\$ 325,768
Debt Service Fund	General Fund	\$ 77,508
Capital Projects Fund	General Fund	\$ 146,454
Special Revenue Funds	Fiduciary Fund	\$ 101,946
General Fund	Fiduciary Fund	\$ 14,134
	Total	<u>\$ 665,810</u>

**LA VILLA INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For The Year Ended August 31, 2019**

**F. FUND BALANCES**

The District has nonspendable, restricted, committed, and unassigned fund balance as follows.

Restricted Fund Balances:		
Federal or State Funds Grant Restriction	\$	17,012
Retirement of Long-Term Debt		79,224
Committed Fund Balances		
Construction		1,099,180
Unassigned:		355,145
Total Fund Balance	\$	1,550,561

**G. LONG-TERM OBLIGATIONS**

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

**1. Long-Term Obligations Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term Obligations, for the year ended August 31, 2019, are as follows:

Description	Maturity Date	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Outstanding 09/01/18	Increases	Decreases	Ending Balance 8/31/2019	Due within one year
2016 Unlimited Tax Refunding Bonds	8/15/2037	2-3.00%	2,160,000	76,450	2,045,000	-	80,000	1,965,000	80,000
2018 Unlimited Tax Refunding Bonds	8/15/2037	2-4.00%	7,175,000	114,916	6,930,000	-	295,000	6,635,000	335,000
Net Premium/Discount					746,332	-	81,874	664,458	47,286
Capital Lease Payable			148,485		31,490	-	31,490	-	-
Total Long-Term Debt				\$ 191,366	\$ 9,752,822	\$ -	\$ 488,364	\$ 9,264,458	\$ 462,286
Net Pension Liability					1,391,738	1,537,623	168,945	2,760,416	-
Net OPEB Liability					2,658,435	1,005,214	49,928	3,613,721	-
Total Other Long-Term Debt				-	4,050,173	2,542,837	218,873	6,374,137	-
Total Governmental Activities				\$ 191,366	\$ 13,802,995	\$ 2,542,837	\$ 707,237	\$ 15,638,595	\$ 462,286

# LA VILLA INDEPENDENT SCHOOL DISTRICT

## Notes to the Financial Statements For The Year Ended August 31, 2019

### 2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2019, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2020	415,000	335,400	750,400
2021	435,000	322,950	757,950
2022	445,000	306,400	751,400
2023	350,000	289,500	639,500
2024	365,000	276,350	641,350
Thereafter	6,590,000	2,167,850	8,757,850
Totals	<u>\$ 8,600,000</u>	<u>\$ 3,698,450</u>	<u>\$ 12,298,450</u>

### G. LONG-TERM OBLIGATIONS (continued)

#### 3. Advance Refunding of Debt

On December 8, 2016 the District issued Series 2016 bonds totaling \$2,160,000 with interest rates ranging from 2.00% to 3.00% to advance refund \$2,170,000 of Series 2007 Bonds with an interest rate of 4.00% to 4.50%. The net proceeds were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, \$2,170,000 of Series 2007 bonds are considered to be defeased and the liability for those bonds was removed from long-term debt. As a result of the refunding, the cash flows required to service the old debt amounted to \$6,807,681 and the cash flow to service the new debt will amount to \$6,548,521. The refunding resulted in a savings of \$259,160 and a net present value savings of \$10,000 (or 0.463% of the principal amount of the Refunded Bonds) which were used to refund the Series 2007 bonds and to pay costs of issuance.

On February 15, 2019 the District issued Series 2019 bonds totaling \$7,175,000 with interest rates ranging from 2.00% to 4.00% to advance refund \$2,385,000 of Series 2008 Bonds with an interest rate of 4.00% to 4.52%. The net proceeds were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, \$2,385,000 of Series 2008 bonds are considered to be defeased and the liability for those bonds was removed from long-term debt. As a result of the refunding, the cash flows required to service the old debt amounted to \$13,579,123 and the cash flow to service the new debt will amount to \$13,374,667. The refunding resulted in a savings of \$204,456 and a net present value loss of \$4,790,000 (or 0.667% of the principal amount of the Refunded Bonds) which were used to refund the Series 2008 bonds and to pay costs of issuance.

#### 4. Deferred Charge on Refunding

At the government-wide financial statements (Exhibit A-1), the District reports cumulative charges on refunding as net deferred outflows in the amount of \$88,814.

# LA VILLA INDEPENDENT SCHOOL DISTRICT

## Notes to the Financial Statements For The Year Ended August 31, 2019

### **H. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reduction in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

### **I. PENSION PLAN OBLIGATIONS**

#### **A. 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). It is a defined benefit pension plan 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.

#### **B. 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.

#### **C. Benefits Provided**

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

# LA VILLA INDEPENDENT SCHOOL DISTRICT

## Notes to the Financial Statements For The Year Ended August 31, 2019

### D. 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.

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

Contribution Rates		
	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
La Villa ISD 2019 Employer Contributions		\$ 196,724
La Villa ISD 2019 Member Contributions		\$ 431,535
La Villa ISD 2018 NECE On-Behalf Contributions		\$ 224,578

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

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

# LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For The Year Ended August 31, 2019

## I. PENSION PLAN OBLIGATIONS (Continued)

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

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

### E. Actuarial Assumptions

The total pension liability in the August 31, 2017 and rolled forward to August 31, 2018 actuarial valuation 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%
Payroll Growth Rate	Not provided by TRS 2018 CAFR
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.

### F. Discount Rate

The 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 percent and a municipal bond rate of 3.69 percent. 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.



# LA VILLA INDEPENDENT SCHOOL DISTRICT

## Notes to the Financial Statements For The Year Ended August 31, 2019

### I. PENSION PLAN OBLIGATIONS (Continued)

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 below:

Asset Class	Target Allocation <sup>1</sup>	Long-term Expected Arithmetic Real Rate of Return <sup>2</sup>	Expected Contribution to Long-Term Portfolio Returns
<b>Global Equity</b>			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
<b>Stable Value</b>			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Return	0.0%	0.0%	0.0%
Hedge Funds (Stable Value)	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy and Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation			2.3%
Volatility Drag <sup>3</sup>			-0.8%
<b>Total</b>	<b>100%</b>		<b>7.2%</b>

1 Target allocations are based on the FY2016 policy model.

2 Capital market assumptions come from Aon Hewitt (2017 Q4)

3 The volatility drag results from the conversion between arithmetic and geometric mean returns.

### G. **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.

**LA VILLA INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For The Year Ended August 31, 2019

**I. PENSION PLAN OBLIGATIONS (Continued)**

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
La Villa's proportionate share of the net pension liability:	\$ 4,166,130	\$ 2,760,416	\$ 1,622,407

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

At August 31, 2019, the District reported a liability of \$2,760,416 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	\$ 2,760,416
State's proportionate share that is associated with the District	3,671,699
Total	<u>\$ 6,432,115</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 .0050150694% which was an increase (decrease) of .0006624336% 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 measurements of the total pension liability since the prior measurement period.

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the 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 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.

**LA VILLA INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For The Year Ended August 31, 2019

**I. PENSION PLAN OBLIGATIONS (Continued)**

- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- 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 year ended August 31, 2019, the District recognized pension expense of \$759,475 and revenue of \$363,400 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 17,206	\$ 67,730
Changes in actuarial assumptions	995,263	31,102
Difference between projected and actual investment earnings	-	52,377
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	488,459	109,965
Total as August 31, 2018 measurement date	1,500,928	261,174
Contributions paid to TRS subsequent to the measurement date	196,724	-
Total as of fiscal year-end	\$ 1,697,652	\$ 261,174

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:

Year ended August 31:	Pension Expense Amount
2020	321,526
2021	211,303
2022	181,893
2023	210,772
2024	182,381
Thereafter	131,879

# LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For The Year Ended August 31, 2019

## **J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

### **A. Plan Description**

The La Villa Independent School 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 of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

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

### **C. 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-Care2 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.

	<b>TRS-Care Monthly for Retirees</b>	
	<u>Medicare</u>	<u>Non-Medicare</u>
	Effective Jan. 1, 2018 - Dec. 31, 2018	
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

*\*or surviving spouse*

**LA VILLA INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For The Year Ended August 31, 2019

**J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)**

**D. 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.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75 percent 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.

	<b>Contribution Rates</b>	
	<b>2018</b>	<b>2019</b>
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%
La Villa ISD 2019 Employer Contributions		\$ 46,345
La Villa ISD 2019 Member Contributions		\$ 39,356
La Villa ISD 2018 NECE On-Behalf Contributions		\$ 51,961

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 85<sup>th</sup> Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

**E. Actuarial Assumptions**

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

**LA VILLA INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For The Year Ended August 31, 2019

**J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)**

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

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

**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.
Payroll Growth Rate	Not provided in TRS 2018 CAFR
Projected Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	7.5% to 9.5%
Election Rates	Normal Retirement : 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

**Other Information:**

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.

**LA VILLA INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For The Year Ended August 31, 2019

**J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)**

**F. Discount Rate:**

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase 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 contribution entity are made at the statutory 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 benefits payments to determine the total OPEB liability.

**G. Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% or less than and 1% greater than the discount rate that was used in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
La Villa's proportionate share of the Net OPEB liability:	\$ 4,301,569	\$ 3,613,721	\$ 3,069,588

**H. OPEB Liabilities, OPEB Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEBs**

At August 31, 2019, the District reported a liability of \$3,613,721 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	\$ 3,613,721
State's proportionate share that is associated with the District	<u>3,766,206</u>
Total	<u>\$ 7,379,927</u>

The Net OPEB liability was measured as of August 31, 2017 and rolled over 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 thru August 31, 2018.

At August 31, 2019 the employer’s proportion of the collective Net OPEB Liability was .0072374412%, which was an increase (decrease) of .0011241633% from its proportion measured as of August 31, 2018.

**LA VILLA INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For The Year Ended August 31, 2019

**J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)**

**Healthcare Cost Trend Rates Sensitivity Analysis**

The following schedule shows the impact of the NET OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate used.

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
La Villa's proportionate share of the Net OPEB liability:	\$ 3,001,254	\$ 3,613,721	\$ 4,420,353

**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:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total 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 was changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date – Please see the 2018 TRS CAFR, page 68, section B. for a list of changes made effective September 1, 2017 by the 85<sup>th</sup> Texas Legislature.

For the year ended August 31, 2019, the District recognized OPEB expense of \$302,381 and revenue of \$136,992 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 191,767	\$ 57,030
Changes in actuarial assumptions	60,303	1,085,716
Difference between projected and actual investment earnings	632	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	616,463	-
Total as of August 31, 2018 measurement date	869,165	1,142,746
Contributions paid to TRS subsequent to the measurement date	46,345	-
Total as of fiscal year-end	\$ 915,510	\$ 1,142,746



**LA VILLA INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For The Year Ended August 31, 2019

**J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)**

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:

Year ended August 31:	Pension Expense Amount
2020	(65,540)
2021	(65,540)
2022	(65,540)
2023	(65,659)
2024	(65,727)
Thereafter	54,425

**K. RETIREE HEALTH CARE PLAN**

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

**Funding Policy.** Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were .55% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2019, 2018 and 2017. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2019, 2018, and 2017 the State's contributions to TRS-Care were \$31,488, \$30,258, and \$29,869 and the school district's contributions were \$36,333, \$34,454, and \$25,274, which equaled the required contributions each year.

**Medicare on Behalf Payments.** The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. The on behalf payments for La Villa Independent School District for 2019, 2018 and 2017 were \$18,474, \$14,372, and \$14,408 respectively.

**LA VILLA INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For The Year Ended August 31, 2019

**L. DEFERRED REVENUE**

Deferred revenue at year end consisted of the following:

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total</u>
Net Tax Revenue	\$ 164,652	\$ -	\$ 23,773	\$ 188,425
Total Deferred Revenue	<u>\$ 164,652</u>	<u>\$ -</u>	<u>\$ 23,773</u>	<u>\$ 188,425</u>

**M. DUE FROM & DUE TO STATE AGENCIES**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2019, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

	<u>DUE</u> <u>FROM FUND</u>	<u>STATE</u> <u>ENTITLEMENTS</u>	<u>FEDERAL</u> <u>GRANTS</u>	<u>TOTAL</u>
General		\$ 166,918	\$ -	\$ 166,918
Special Revenue		-	408,608	408,608
Total		<u>166,918</u>	<u>408,608</u>	<u>575,526</u>

	<u>DUE</u> <u>TO FUND</u>			
General		515,689	-	515,689
Special Revenue		-	24,153	24,153
		<u>\$ 515,689</u>	<u>\$ 24,153</u>	<u>\$ 539,842</u>

**N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u>
Property Taxes	\$ 1,199,013	\$ -	\$ 313,826	\$ -	\$ 1,512,839
Penalties, Interest and Other					
Tax-related Income	69,344	-	17,380	-	86,724
Investment Income	4,534	-	667	9,243	14,444
Food Sales	12,300	-	-	-	12,300
Co-curricular Student Activities	29,323	-	-	-	29,323
Other	21,181	-	-	-	21,181
Total	<u>\$ 1,335,695</u>	<u>\$ -</u>	<u>\$ 331,873</u>	<u>\$ 9,243</u>	<u>\$ 1,676,811</u>

**LA VILLA INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For The Year Ended August 31, 2019

**O. HEALTH CARE COVERAGE**

During the year ended August 31, 2019, employees of the District were covered by health insurance plan (the Plan). The District paid premiums of \$367 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the licensed insurer is renewable October 1, and terms of coverage and premium costs are included in the contractual provisions.

**P. COMMITMENTS AND CONTINGENCIES**

**1. Contingencies**

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

**Q. EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through January 14, 2020 the date which the financial statements were available to be issued.

**R. MAINTENANCE OF EFFORT-HEALTH CARE**

For fully insured districts/entities/risk pools, enter the total amount paid by the district for employee health care premiums as reported to TEA per Note K.

a) Total District Premium paid for health care 2018-2019	<u>\$ 396,360</u>
b) Subtract any non-medical expenditures	
Life Insurance	\$ 576
Long-Term Disability	-
c) 2018-2019 Maintenance of Effort	<u>\$ 395,784</u>

## **LA VILLA INDEPENDENT SCHOOL DISTRICT**

### **Notes to the Financial Statements**

**For The Year Ended August 31, 2019**

#### **S. GASB 63**

GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources are the consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources are the acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are incorporated into the definitions of the required components of the residual measure and that measure is renamed as net position, rather than net assets.

#### **T. GASB 68**

GASB 68 – establishes standards for accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria as described in GASB 67. This statement replaces the requirements of GASB Statement 27, Accounting for Pensions by State and Local Governmental Employers. Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning pension liability

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## **REQUIRED SUPPLEMENTARY INFORMATION**

LA VILLA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 1,305,062	\$ 1,245,333	\$ 1,335,695	\$ 90,362
5800 State Program Revenues	5,656,389	5,220,501	4,908,359	(312,142)
5900 Federal Program Revenues	492,500	492,500	464,732	(27,768)
5020 Total Revenues	7,453,951	6,958,334	6,708,786	(249,548)
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	3,329,864	3,324,315	3,327,568	(3,253)
0012 Instructional Resources and Media Services	126,323	120,975	111,174	9,801
0013 Curriculum and Instructional Staff Development	18,143	29,598	29,316	282
0021 Instructional Leadership	3,277	277	-	277
0023 School Leadership	563,443	602,723	578,779	23,944
0031 Guidance, Counseling and Evaluation Services	212,060	217,106	214,838	2,268
0033 Health Services	94,961	89,835	79,730	10,105
0034 Student (Pupil) Transportation	147,042	158,276	155,559	2,717
0035 Food Services	509,338	509,338	500,807	8,531
0036 Extracurricular Activities	505,789	569,758	514,520	55,238
0041 General Administration	705,553	938,614	902,980	35,634
0051 Facilities Maintenance and Operations	1,273,711	1,291,394	1,208,696	82,698
0052 Security and Monitoring Services	127,494	122,535	102,542	19,993
0053 Data Processing Services	189,536	181,735	161,481	20,254
0061 Community Services	6,500	4,800	1,488	3,312
Debt Service:				
0071 Principal on Long-Term Debt	32,500	32,500	31,490	1,010
0072 Interest on Long-Term Debt	-	-	911	(911)
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	178,000	-	178,000
0099 Other Intergovernmental Charges	13,177	14,677	13,491	1,186
6030 Total Expenditures	7,858,711	8,386,456	7,935,370	451,086
1100 Excess (Deficiency) of Revenues Over (Under)	(404,760)	(1,428,122)	(1,226,584)	201,538
Expenditures				
<b>OTHER FINANCING SOURCES (USES):</b>				
8911 Transfers Out (Use)	(355,704)	(355,704)	(390,400)	(34,696)
1200 Net Change in Fund Balances	(760,464)	(1,783,826)	(1,616,984)	166,842
0100 Fund Balance - September 1 (Beginning)	1,972,129	1,972,129	1,972,129	-
3000 Fund Balance - August 31 (Ending)	\$ 1,211,665	\$ 188,303	\$ 355,145	\$ 166,842

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LA VILLA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.005015069%	0.004352636%	0.004796722%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,760,416	\$ 1,391,738	\$ 1,812,610
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	3,671,699	2,265,158	2,692,256
Total	<u>\$ 6,432,115</u>	<u>\$ 3,656,896</u>	<u>\$ 4,504,866</u>
District's Covered Payroll	\$ 4,280,955	\$ 4,549,451	\$ 4,549,407
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	64.48%	30.59%	39.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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

<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
	0.0042264%		0.0028692%
\$	1,493,976	\$	766,403
	2,654,898		2,172,430
<u>\$</u>	<u>4,148,874</u>	<u>\$</u>	<u>2,938,833</u>
\$	4,237,190	\$	2,938,833
	35.26%		26.08%
	78.43%		83.25%

LA VILLA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2019

	2019	2018	2017
Contractually Required Contribution	\$ 196,724	\$ 147,082	\$ 141,252
Contribution in Relation to the Contractually Required Contribution	(196,724)	(147,082)	(141,252)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 6,054,441	\$ 4,676,802	\$ 4,595,307
Contributions as a Percentage of Covered Payroll	3.25%	3.14%	3.07%

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

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

	2016	2015
\$	151,669	\$ 127,544
	(151,669)	(127,544)
\$	-	\$ -
\$	4,540,067	\$ 4,237,190
	3.34%	3.01%

LA VILLA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.007237441%	0.006113278%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 3,613,721	\$ 2,658,435
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	3,766,206	3,367,635
Total	<u>\$ 7,379,927</u>	<u>\$ 6,026,070</u>
District's Covered Payroll	\$ 4,280,955	\$ 4,549,451
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	84.41%	58.43%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

LA VILLA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR FISCAL YEAR 2019

	2019	2018
Contractually Required Contribution	\$ 46,345	\$ 48,135
Contribution in Relation to the Contractually Required Contribution	(46,345)	(48,135)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 6,054,714	\$ 4,676,802
Contributions as a Percentage of Covered Payroll	0.77%	1.03%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

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## **COMBINING AND OTHER STATEMENTS**



LA VILLA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2019

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ 18,732	\$ -
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes	-	-	-	-
1240 Due from Other Governments	126,058	144,172	-	7,197
1260 Due from Other Funds	95,753	-	1,517	2,348
1000 Total Assets	<u>\$ 221,811</u>	<u>\$ 144,172</u>	<u>\$ 20,249</u>	<u>\$ 9,545</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 34,820	\$ 28,972	\$ -	\$ 7,455
2160 Accrued Wages Payable	4,084	8,207	-	-
2170 Due to Other Funds	177,638	105,952	14,276	590
2180 Due to Other Governments	4,853	470	5,973	1,500
2200 Accrued Expenditures	416	571	-	-
2000 Total Liabilities	<u>221,811</u>	<u>144,172</u>	<u>20,249</u>	<u>9,545</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	-	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3480 Retirement of Long-Term Debt	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 221,811</u>	<u>\$ 144,172</u>	<u>\$ 20,249</u>	<u>\$ 9,545</u>

EXHIBIT H-1 (Cont'd)

270 ESEA VI, Pt B Rural & Low Income	273 Mathematics & Science Partnerships	274 GEAR UP	289 Other Federal Special Revenue Funds	331 SSA - Career & Technical - Basic Grant	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds
\$ -	\$ 4,050	\$ 1,447	\$ -	\$ -	\$ -	\$ 15,824	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,084	-	46,740	18,050	-	64,793	-	514
-	-	-	-	-	-	-	-
<u>\$ 1,084</u>	<u>\$ 4,050</u>	<u>\$ 48,187</u>	<u>\$ 18,050</u>	<u>\$ -</u>	<u>\$ 64,793</u>	<u>\$ 15,824</u>	<u>\$ 514</u>
\$ 1,031	\$ -	\$ -	\$ 12,571	\$ -	\$ 62,574	\$ -	\$ 514
-	-	4,084	-	-	-	-	-
53	4,050	33,128	5,317	-	-	393	-
-	-	10,557	162	-	628	10	-
-	-	418	-	-	-	-	-
<u>1,084</u>	<u>4,050</u>	<u>48,187</u>	<u>18,050</u>	<u>-</u>	<u>63,202</u>	<u>403</u>	<u>514</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	1,591	15,421	-
-	-	-	-	-	-	-	-
-	-	-	-	-	<u>1,591</u>	<u>15,421</u>	<u>-</u>
<u>\$ 1,084</u>	<u>\$ 4,050</u>	<u>\$ 48,187</u>	<u>\$ 18,050</u>	<u>\$ -</u>	<u>\$ 64,793</u>	<u>\$ 15,824</u>	<u>\$ 514</u>

LA VILLA INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2019

Data Control Codes	Total Nonmajor Special Revenue Funds	511 Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
1110	\$ 40,053	\$ 3,188	\$ 43,241
1220	-	28,528	28,528
1230	-	(4,756)	(4,756)
1240	408,608	-	408,608
1260	99,618	76,772	176,390
1000	<u>\$ 548,279</u>	<u>\$ 103,732</u>	<u>\$ 652,011</u>
<b>LIABILITIES</b>			
2110	\$ 147,937	\$ -	\$ 147,937
2160	16,375	-	16,375
2170	341,397	735	342,132
2180	24,153	-	24,153
2200	1,405	-	1,405
2000	<u>531,267</u>	<u>735</u>	<u>532,002</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601	-	23,773	23,773
2600	<u>-</u>	<u>23,773</u>	<u>23,773</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3450	17,012	-	17,012
3480	-	79,224	79,224
3000	<u>17,012</u>	<u>79,224</u>	<u>96,236</u>
4000	<u>\$ 548,279</u>	<u>\$ 103,732</u>	<u>\$ 652,011</u>

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LA VILLA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	391,244	204,516	33,362	6,997
5020 Total Revenues	391,244	204,516	33,362	6,997
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	158,215	173,604	333	3,293
0013 Curriculum and Instructional Staff Development	182,612	-	29,590	3,555
0021 Instructional Leadership	13,631	1,924	-	149
0023 School Leadership	5,355	-	3,439	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	31,431	-	-	-
0041 General Administration	-	-	-	-
0061 Community Services	-	28,988	-	-
Debt Service:				
0071 Principal on Long-Term Debt	-	-	-	-
0072 Interest on Long-Term Debt	-	-	-	-
6030 Total Expenditures	391,244	204,516	33,362	6,997
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

270 ESEA VI, Pt B Rural & Low Income	273 Mathematics & Science Partnerships	274 GEAR UP	289 Other Federal Special Revenue Funds	331 SSA - Career & Technical - Basic Grant	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	64,793	-	-
1,031	-	67,121	17,704	-	-	-	-
1,031	-	67,121	17,704	-	64,793	-	-
-	-	66,350	16,428	-	64,793	-	-
-	-	-	325	-	-	-	-
-	-	-	377	-	-	-	-
1,031	-	-	574	-	-	-	-
-	-	223	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	548	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,031	-	67,121	17,704	-	64,793	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	1,591	15,421	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,591	\$ 15,421	\$ -

LA VILLA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Total Nonmajor Special Revenue Funds	511 Debt Service Fund	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ -	\$ 331,874	\$ 331,874
5800 State Program Revenues	64,793	76,772	141,565
5900 Federal Program Revenues	721,975	-	721,975
5020 Total Revenues	<u>786,768</u>	<u>408,646</u>	<u>1,195,414</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	483,016	-	483,016
0013 Curriculum and Instructional Staff Development	216,082	-	216,082
0021 Instructional Leadership	16,081	-	16,081
0023 School Leadership	10,399	-	10,399
0031 Guidance, Counseling and Evaluation Services	223	-	223
0033 Health Services	31,431	-	31,431
0041 General Administration	548	-	548
0061 Community Services	28,988	-	28,988
Debt Service:			
0071 Principal on Long-Term Debt	-	375,001	375,001
0072 Interest on Long-Term Debt	-	345,850	345,850
6030 Total Expenditures	<u>786,768</u>	<u>720,851</u>	<u>1,507,619</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(312,205)	(312,205)
<b>OTHER FINANCING SOURCES (USES):</b>			
7915 Transfers In	-	390,400	390,400
1200 Net Change in Fund Balance	-	78,195	78,195
0100 Fund Balance - September 1 (Beginning)	17,012	1,029	18,041
3000 Fund Balance - August 31 (Ending)	<u>\$ 17,012</u>	<u>\$ 79,224</u>	<u>\$ 96,236</u>

## **T.E.A. REQUIRED SCHEDULES**



LA VILLA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2019

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ 132,423,115
2011	1.033800	0.191000	90,339,911
2012	1.033800	0.270000	91,307,398
2013	1.033800	0.270000	95,965,267
2014	1.170000	0.133800	101,944,547
2015	1.170000	0.133800	102,306,675
2016	1.170000	0.133800	72,821,190
2017	1.170000	0.133800	93,848,955
2018	1.170000	0.133800	99,628,786
2019 (School year under audit)	1.170000	0.313800	102,753,711
1000 TOTALS			

(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
\$ 133,346	\$ -	\$ 5,718	\$ 2,240	\$ (53,683)	\$ 71,705
11,282	-	700	129	(2,811)	7,642
9,437	-	627	164	(875)	7,771
18,615	-	8,858	2,313	-	7,444
16,481	-	8,695	994	-	6,792
21,810	-	8,606	984	(2,159)	10,061
21,636	-	10,001	1,144	(1,677)	8,814
33,224	-	10,787	1,234	(4,462)	16,741
51,214	-	16,097	1,841	(4,762)	28,514
-	1,507,530	1,128,923	302,783	(5,326)	70,498
<u>\$ 317,044</u>	<u>\$ 1,507,530</u>	<u>\$ 1,199,012</u>	<u>\$ 313,826</u>	<u>\$ (75,755)</u>	<u>\$ 235,981</u>

LA VILLA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 18,562	\$ 18,562	\$ 12,300	\$ (6,262)
5800 State Program Revenues	2,500	2,500	2,231	(269)
5900 Federal Program Revenues	485,000	485,000	449,166	(35,834)
5020 Total Revenues	506,062	506,062	463,697	(42,365)
<b>EXPENDITURES:</b>				
Current:				
0035 Food Services	504,623	504,623	495,665	8,958
6030 Total Expenditures	504,623	504,623	495,665	8,958
1200 Net Change in Fund Balances	1,439	1,439	(31,968)	(33,407)
0100 Fund Balance - September 1 (Beginning)	-	-	38,975	38,975
3000 Fund Balance - August 31 (Ending)	\$ 1,439	\$ 1,439	\$ 7,007	\$ 5,568

LA VILLA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 148,050	\$ 310,844	\$ 331,874	\$ 21,030
5800 State Program Revenues	217,096	200,710	76,772	(123,938)
5020 Total Revenues	365,146	511,554	408,646	(102,908)
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long-Term Debt	510,450	510,450	375,001	135,449
0072 Interest on Long-Term Debt	210,400	210,400	345,850	(135,450)
6030 Total Expenditures	720,850	720,850	720,851	(1)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(355,704)	(209,296)	(312,205)	(102,909)
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	355,704	390,400	34,696
1200 Net Change in Fund Balances	(355,704)	146,408	78,195	(68,213)
0100 Fund Balance - September 1 (Beginning)	1,029	1,029	1,029	-
3000 Fund Balance - August 31 (Ending)	\$ (354,675)	\$ 147,437	\$ 79,224	\$ (68,213)

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**REPORTS ON  
INTERNAL CONTROLS, COMPLIANCE  
AND  
FEDERAL AWARDS**

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**Raul Hernandez & Company, P.C.**

Certified Public Accountants

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**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***

Independent Auditors' Report

La Villa Independent School District  
500 East 9<sup>th</sup> Street  
La Villa, Texas 78562

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Villa Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise La Villa Independent School District's basic financial statements, and have issued our report thereon dated January 14, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered La Villa Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of La Villa Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of La Villa 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be significant deficiencies.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether La Villa 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*.

#### **La Villa Independent School District**

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

#### **Purpose of this Report**

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

*Raul Hernandez & Company, P.C.*

Corpus Christi, Texas

January 14, 2020

**Raul Hernandez & Company, P.C.**  
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Corpus Christi, Texas 78411  
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**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Independent Auditors' Report

La Villa Independent School District  
500 East 9<sup>th</sup> Street  
La Villa, Texas 78562

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

We have audited La Villa Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of La Villa Independent School District's major federal programs for the year ended August 31, 2019. La Villa Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, La Villa Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

### **Report on Internal Control over Compliance**

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

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

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

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

## **Report on Schedule of Expenditures of Federal Awards by the Uniform Guidance**

We have audited the financial statements of La Villa Independent School District as of and for the year ended August 31, 2019, and have issued our report thereon dated January 14, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Raul Hernandez & Company, P.C.*

Corpus Christi, Texas

January 14, 2020

**LA VILLA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2019**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program

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

Auditee qualified as low-risk auditee?  Yes  No

**LA VILLA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2019**

**B. Financial Statement Findings**

**Finding No. 2019-001 Closing of Financial Statements**

**Criteria:** The District's monthly accounting process should include a thorough review and control in spending in the General Fund.

**Condition:** The District's General Fund balance declined from \$1,972,129 to \$355,145 for the fiscal year ended August 31, 2019. The ending General fund balance in 2019 represents approximately 4.4% of the annual general fund operating expenditures of \$7,935,370. The expenditures exceeded revenues by (\$1,616,984), which includes transfers out. If this trend continues, there is increasing potential to put the district in a deficit in the near future.

**Cause:** The District did not exercise prudent planning by allowing overspending and by not monitoring expenditures carefully in order to avoid potential deficits.

**Effect:** The District's amended General Fund budget reported a negative net decrease of (\$1,783,826) for fiscal year ended August 31, 2019 in the General Fund. This indicated that the district planned a negative current year deficit; therefore, the district expected to deplete 90% of the General Fund's beginning fund balance.

**Recommendation:** The District must take immediate steps to prevent a further decline in the General Fund's fund balance. The district should prepare cash flow analysis, which could help monitor and evaluate their immediate financial situation and present periodic updates to Governance. The District should also consider delaying major expenditures next year in order to prevent a budget shortfall.

**Management**

**Response:**

- The District is well aware of the \$1,972,129 loss that will be reported for this year's audit as compared to last year's audit. However, please note that current management came on board as acting superintendent on November 26, 2018, and Chief Financial Officer, Sandra Martinez, was hired in late October of 2018 and the district had a change of leadership at the school board level with all three incumbents losing in October of 2018 as well. Prior to these three significant changes, an unbalanced budget had already been presented and approved in August of 2018 by the previous administration and school board. Aside from that, La Villa I.S.D. had also dealt with declining enrollment and A.D.A. which the District was not accounting for when they would submit their estimated enrollment numbers each year. This would create an issue at the beginning of each school year when the Texas Education Agency would then collect their overpayment to the District which was approximately \$500,000 each year. Over the course of the last three years, this has depleted their Fund Balance by approximately \$1.5 million dollars. Furthermore, the approximated loss of \$500,000 had not been recorded for each of the past three years and now that current administration is recording it as a loss in their current audit it makes it seem as if this school board and administrative team are responsible for the loss when actually they are simply recording the losses that should have been recorded all along. To put it plainly the current administrative team and school board are not the one's responsible for the loss, they are simply the ones that are recording it on the ledger for the first time.

**LA VILLA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2019**

- With the current financial situation being what it is, management recognizes the need for La Villa I.S.D. to take corrective action. Listed below are the steps which are being taken:
  - The District is working very closely with campus principals and monitoring their enrollment numbers and A.D.A. to ensure that they meet or exceed their projected numbers for the 2019-2020 school year thus avoiding a negative settle-up at the beginning of the 2020-2021 school year. Consequently, the district anticipates that they should receive a positive settle-up due to an increase of forty-five students in enrollment and a higher A.D.A. percentage for the current school year. Please note that the district's listed Refined A.D.A. is at 513 students but with their increase in enrollment and increase in attendance percentage our year-to-date Refined A.D.A. is currently 583 students.
  - The District is conducting a staffing efficiency study by Region One Education Service Center in order to trim their payroll expenses if the study deems it necessary. In recognition of the highest expenditures being tied to personnel, they are also freezing hires for non-critical positions, implementing an Attrition Program, and develop an Attendance Incentive Plan to reduce the cost of substitute teachers.
  - This District is also working on a State Energy Conservation Office (SECO) project to reduce their energy costs by retrofitting all of their lighting fixtures with energy efficient lighting as well as replacing over 90% of their HVAC units with new high efficiency units. As part of the SECO project the district will also install automatic shut off thermostats and lighting controls throughout the entire school district which will also decrease their energy consumption costs.
  - The District has also engaged in a Chapter 313 agreement with Terra-Gen LLC and anticipates future additional revenue sources as a result of the two windmill farms which are being constructed within La Villa I.S.D.
  - La Villa I.S.D. has also improved PEIMS reporting to increase revenue and they have also reduced professional employee travel
  - La Villa I.S.D. is also utilizing a financial consultant to help identify areas of concern and to identify possible solutions to increase revenue and reduce cost.
  - The District is also consulting with the school finance department from Region One Education Service Center to further explore areas of concern and identify options to increase revenue and decrease expenses by aligning their fiscal calendar to that of the actual school calendar.
  - HB3 compressed the tax rate from \$1.17 to \$1.06; Proposing that the eleven cent (.11) decrease in M&O be added to I&S in order to meet debt obligations.

**C. Federal Award Findings and Questioned Costs**  
NONE

LA VILLA INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2019

**B. Financial Statement Findings**  
**Finding No. 2018-001 Closing of Financial Statements**

**Criteria:** A governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the government in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

**Condition:** At year end the school district did not accurately maintain general ledgers, schedules of debt, schedules of depreciation, schedules of interfund payables, accounts payable and interfund transfers. Preparation of some of the year-end adjusting journal entries and schedules and the review and reconciliation of those amounts for accuracy was not complete. This required an extended analysis on our part to ascertain correct balances of numerous general ledger accounts. The following items were noted:

- Bank reconciliations for several bank accounts were not properly reconciled prior to the end of the subsequent month. Management brought to our attention that additional adjustments of (\$68,514) were needed to reconcile the general fund account.
- Interfund Payables were not in balance at fiscal year-end and required extensive analysis for reconciliation.
- The Fixed Asset Depreciation Schedule was not complete at fiscal year-end. During the course of our audit, we noted that assets purchased for the fiscal year needed to be added to the Fixed Asset Depreciation Schedule. Additionally, an adjustment was necessary to recognize retainage payable for construction costs.
- The Long-Term Debt Schedule was not complete at fiscal year-end. During the course of our audit, we noted that current year debt activity was not added to the Long-Term Debt Schedule. An adjustment was necessary to correctly recognize bond proceeds in the debt service fund.
- Property Taxes Receivable for the general and debt service fund was not adjusted at fiscal year-end. An adjustment was necessary to remove prior year accrual and to correctly recognize property taxes receivable and deferred revenue at fiscal year-end.
- Accounts Payable were not in balance at fiscal year-end and required additional analysis for reconciliation.
- Interfund Transfers were not in balance at fiscal-year and required additional analysis for reconciliation.



**B. Financial Statement Findings**  
**Finding No. 2018-001 Closing of Financial Statements (continued)**

**Cause:** There were several general ledger accounts that needed adjustments, the fixed asset schedule, long-term debt schedule, did not agree to the general ledger, as well as various corrections to interfund transfers, accounts payable, and transfers. The District experienced significant turnover in the Finance department. The Chief Financial Officer position was held by three different people during the course of our audit.

**Effect:** Financial statements prepared on a monthly basis and at year-end were not closed-out properly and did not present the District's financial position, or operations in accordance with GAAP. As such, there was no basis for careful monitoring of budget versus actual activity in the expenditures incurred and revenues realized

**Recommendation:** The District should review its procedures and processes relating to financial statement accounting and reporting to ensure that timely financial statements in accordance with GAAP are prepared and available for management use, as well as for audit purposes.  
Bank reconciliations should be prepared and reviewed in a timely manner in order to ensure that errors or irregularities are prevented, detected, and corrected. In order to reconcile the District's capital assets, we recommend that management reconcile their capital assets on a monthly basis and post all amounts to their general ledger.

**Management Response:** La Villa ISD will review and update internal procedures to improve the year-end adjustments journal entry, review and reconciliation process so that the General Ledger properly reflects the current status of the finances of the District.

La Villa ISD will analyze end balance Inter-fund Payable throughout the fiscal year.

La Villa ISD has been in contact with a Fixed Assets management company and has requested a proposal to inventory and tag all capital assets and enter into the Fixed Asset Management Program in order to update Fixed Assets and produce an accurate depreciation schedule in a timely manner at year-end.

La Villa ISD will update the Long-Term Debt Schedule to reflect complete information in a timely manner at year-end.

La Villa ISD will review entries and make the appropriate adjustments to the Property Tax Receivable and Debt Service accounts in a timely manner throughout the fiscal period.

La Villa ISD will review and balance the Accounts Payable accounts in a timely manner throughout the fiscal year.

La Villa ISD will balance inter-fund transfers in a timely manner throughout the fiscal year.

**Current Status:** The District has implemented procedures to correct these issues.

LA VILLA INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2019

**Finding No. 2019-001 Closing of Financial Statements**

The District is well aware of the \$1,972,129 loss that will be reported for this year's audit as compared to last year's audit. However, please note that current management came on board as acting superintendent on November 26, 2018, and Chief Financial Officer, Sandra Martinez, was hired in late October of 2018 and the district had a change of leadership at the school board level with all three incumbents losing in October of 2018 as well. Prior to these three significant changes, an unbalanced budget had already been presented and approved in August of 2018 by the previous administration and school board. Aside from that, La Villa I.S.D. had also dealt with declining enrollment and A.D.A. which the District was not accounting for when they would submit their estimated enrollment numbers each year. This would create an issue at the beginning of each school year when the Texas Education Agency would then collect their overpayment to the District which was approximately \$500,000 each year. Over the course of the last three years, this has depleted their Fund Balance by approximately \$1.5 million dollars. Furthermore, the approximated loss of \$500,000 had not been recorded for each of the past three years and now that current administration is recording it as a loss in their current audit it makes it seem as if this school board and administrative team are responsible for the loss when actually they are simply recording the losses that should have been recorded all along. To put it plainly the current administrative team and school board are not the one's responsible for the loss, they are simply the ones that are recording it on the ledger for the first time.

With the current financial situation being what it is, management recognizes the need for La Villa I.S.D. to take corrective action. Listed below are the steps which are being taken:

The District is working very closely with campus principals and monitoring their enrollment numbers and A.D.A. to ensure that they meet or exceed their projected numbers for the 2019-2020 school year thus avoiding a negative settle-up at the beginning of the 2020-2021 school year. Consequently, the district anticipates that they should receive a positive settle-up due to an increase of forty-five students in enrollment and a higher A.D.A. percentage for the current school year. Please note that the district's listed Refined A.D.A. is at 513 students but with their increase in enrollment and increase in attendance percentage our year-to-date Refined A.D.A. is currently 583 students.

The District is conducting a staffing efficiency study by Region One Education Service Center in order to trim their payroll expenses if the study deems it necessary. In recognition of the highest expenditures being tied to personnel, they are also freezing hires for non-critical positions, implementing an Attrition Program, and develop an Attendance Incentive Plan to reduce the cost of substitute teachers.

This District is also working on a State Energy Conservation Office (SECO) project to reduce their energy costs by retrofitting all of their lighting fixtures with energy efficient lighting as well as replacing over 90% of their HVAC units with new high efficiency units. As part of the SECO project the district will also install automatic shut off thermostats and lighting controls throughout the entire school district which will also decrease their energy consumption costs.

LA VILLA INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2019

The District has also engaged in a Chapter 313 agreement with Terra-Gen LLC and anticipates future additional revenue sources as a result of the two windmill farms which are being constructed within La Villa I.S.D.

La Villa I.S.D. has also improved PEIMS reporting to increase revenue and they have also reduced professional employee travel

La Villa I.S.D. is also utilizing a financial consultant to help identify areas of concern and to identify possible solutions to increase revenue and reduce cost.

The District is also consulting with the school finance department from Region One Education Service Center to further explore areas of concern and identify options to increase revenue and decrease expenses by aligning their fiscal calendar to that of the actual school calendar.

HB3 compressed the tax rate from \$1.17 to \$1.06; Proposing that the eleven cent (.11) decrease in M&O be added to I&S in order to meet debt obligations.

The Chief Financial Officer, Sandra Martinez, is the contact person and will oversee corrective action.

LA VILLA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2019

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19 - 610101108914	\$ 391,244
ESEA, Title I, Part C - Migratory Children	84.011	19 - 615001108914	204,516
GEAR UP	84.334S	P334A110180-16	67,121
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	19 - 696001108914	1,031
Title III, Part A - English Language Acquisition	84.365A	19 - 671001108914	6,997
ESEA, Title II, Part A, Teacher Principal Training	84.367A	19 - 694501108914	33,362
Other Federally Funded Special Revenue Funds	FD289	19 -69551802	17,704
Total Passed Through State Department of Education			721,975
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			721,975
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401801	158,424
*National School Lunch Program - Cash Assistance	10.555	71301801	290,742
Total Child Nutrition Cluster			449,166
Total Passed Through the State Department of Agriculture			449,166
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			449,166
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 1,171,141

\*Clustered Programs

**LA VILLA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2019**

**Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of La Villa Independent School District. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**Summary of Significant Accounting Policies:**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Compliance Supplement, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Sub-recipients:**

During the year ended August 31, 2019, the District had no sub-recipients.

**Federal Loans and Loan Guarantees:**

During the year ended August 31, 2019, the District had no outstanding federal loans payable or loan guarantees.

**Federally Funded Insurance:**

During the year ended August 31, 2019, the District had no federally funded insurance.

**Noncash awards:**

During the year ended August 31, 2019, the District did not receive noncash-assistance under the National School Lunch Program.

**Reconciliation from the Schedule of Expenditures of Federal Awards to Exhibit C-3:**

Total Federal Award Expended	\$ 1,171,141
SHARS	<u>15,566</u>
Exhibit C-3	<u>\$ 1,186,707</u>

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