

LA VILLA INDEPENDENT SCHOOL DISTRICT



**Annual Financial Report
For the fiscal year ended
August 31, 2018**

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, 2018

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

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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, 2018 at a meeting of the Board of Trustees of such school district on the 25th of January, 2019.

Billie H
Signature of Board Secretary

Bob M. Caldwell
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 9th 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 the La Villa Independent School District (the "District") as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2018, 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.

Emphasis of Matter

As discussed in Note A and Note K to the financial statements, the District adopted the provisions of Government Accounting Standards Board (“GASB”) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as of August 31, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund, the Schedule of District's Proportionate Share of the Net Pension Liability and the Schedule of the District Contributions – Teacher Retirement System of Texas, the 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 fund financial statements, the TEA required schedules, and other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statement.

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

The 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 25, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Raul Hernandez & Company, P.C.
Corpus Christi, Texas
January 25, 2019

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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, 2018. 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 decreased by (\$5,172,235), which was a 66% decrease compared to last year. The decrease is due to the first year GASB 75 implementation for the adjustment of La Villa's total OPEB obligation.
- During the year, the District had tax revenues of \$1,281,408 which included \$1,146,903 and \$134,505 for property taxes, levied for general purposes and debt service, respectively.
- The General Fund ended the year with a fund balance of \$1,972,129 which is a decrease of (\$800,272) from the prior year. The Debt Service Fund ended the year with a fund balance of \$1,029, which represents an increase from the prior year. Capital Projects funds had a total fund balance of \$2,365,239 at August 31, 2018.
- Revenues from governmental activities were \$6,401,689, which represents a (\$2,158,066) decrease 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 & changes in fund balances</i> <i>Statement of cash flows</i>	<i>Statement of net position</i> <i>Statement of rev, exp, & 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 of 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 \$7,779,671 to \$2,607,436. The decrease is due to the first year GASB 75 implementation for the adjustment of La Villa's total OPEB obligation. 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 (\$2,641,257) at August 31, 2018 which represents a (\$4,452,198) decrease from prior year. The District's expenditures exceeded revenues by \$510,686. The District paid bonds and other long-term debt in the amount of \$423,010. Furthermore, acquired capital assets, including completed capital projects, amounted to a net after disposals, before depreciation, of \$2,456,364. The District recorded depreciation in the amount of \$483,825. In addition, accumulated depreciation was \$6,653,802 as of August 31, 2018. (See note D on page 29)

Total Revenue decreased by (\$2,158,066) in fiscal 2018. Operating Grants and Contributions, accounted for a majority of the decrease. Total Expenditures decreased by (\$1,959,680) during the year. Significant decreases included Instruction and Extracurricular Activities.

The District has no business-type activities.

Table 1
LA VILLA INDEPENDENT
SCHOOL DISTRICT

ASSETS	Governmental Activities		
	2018	2017	Change
Cash and Cash Equivalents	\$ 4,508,623	\$ 2,788,529	\$ 1,720,094
Property Taxes Receivable (Delinquent)	317,044	331,394	(14,350)
Allowance for Uncollectible Taxes	(47,557)	(49,709)	2,152
Due from Other Governments	420,801	302,329	118,472
Total Current Assets:	5,198,911	3,372,543	1,826,368
Capital Assets:			
Land	147,793	147,793	-
Buildings, Net	10,266,020	9,951,625	314,395
Furniture and Equipment, Net	356,149	426,537	(70,388)
Construction in Progress	1,728,532	-	1,728,532
Total Noncurrent Assets	12,498,494	10,525,955	1,972,539
Total Assets	\$ 17,697,404	\$ 13,898,498	\$ 3,798,906
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge for Refunding	97,780	-	97,780
Deferred Outflow Related to TRS OPEB	48,551	-	48,551
Deferred Outflow Related to TRS Pension	613,065	850,288	(237,223)
Total Deferred Outflows of Resources	759,396	850,288	(90,892)
LIABILITIES			
Accounts Payable	204,648	64,372	140,276
Interest Payable	14,410	40,451	(26,041)
Accrued Wages Payable	225,390	198,947	26,443
Due to Fiduciary Funds	119,108	14,580	104,528
Due to Other Governments	15,407	639	14,768
Due to Student Groups	2,951	2,926	25
Accrued Expenses	6,512	6,455	57
Noncurrent Liabilities			
Due Within One Year	453,777	379,191	74,586
Due in More Than One Year	9,299,046	4,344,445	4,954,601
Net Pension Liability (District's Share)	1,391,738	1,812,610	(420,872)
Net OPEB Liability (District's Share)	2,658,435	-	2,658,435
Total Liabilities	14,391,422	6,864,616	7,526,806
DEFERRED INFLOW OF RESOURCES			
Deferred Inflow Related to OPEB	1,112,029	-	1,112,029
Deferred Inflow Related to TRS Pension	345,914	104,499	241,415
Total Deferred Inflows of Resources	1,457,943	104,499	1,353,444
NET POSITION			
Net Investment in Capital Assets	2,843,450	5,802,319	(2,958,869)
Restricted for Federal and State Programs	38,975	137,071	(98,096)
Restricted for Debt Service	1,029	733	296
Restricted for Capital Projects	2,365,239	28,607	2,336,632
Unrestricted	(2,641,257)	1,810,941	(4,452,198)
Total Net Position	\$ 2,607,436	\$ 7,779,671	\$ (5,172,235)

Table II
LA VILLA INDEPENDENT
SCHOOL DISTRICT

REVENUES	Governmental Activities 2018	Governmental Activities 2017	Change
Program Revenues:			
Charges for Services	\$ 30,992	\$ 55,412	\$ (24,420)
Operating Grants and Contributions	347,075	1,465,759	(1,118,684)
General Revenues:			
Property Taxes, Levied for General Purposes	1,146,903	1,155,787	(8,884)
Property Taxes, Levied for Debt Service	134,505	143,145	(8,640)
Grants and Contributions not Restricted	4,724,205	5,726,139	(1,001,934)
Investment Earnings	18,009	13,511	4,498
Total Revenue	6,401,689	8,559,755	(2,158,066)
Expenses:			
Instruction	2,802,359	3,789,097	(986,738)
Instructional Resources and Media Services	83,738	116,738	(33,000)
Curriculum and Instructional Staff Development	174,985	323,470	(148,485)
Instructional Leadership	-	47,620	(47,620)
School Leadership	310,839	484,001	(173,162)
Guidance, Counseling, and Evaluation Services	139,652	269,315	(129,663)
Health Services	77,384	130,164	(52,780)
Student (Pupil) Transportation	99,474	107,765	(8,291)
Food Services	506,230	480,641	25,589
Extracurricular Activities	319,117	499,505	(180,388)
General Administration	517,161	661,982	(144,821)
Facilities Maintenance and Operations	1,296,197	1,208,366	87,831
Security and Monitoring Services	71,122	117,600	(46,478)
Data Processing Services	151,056	175,337	(24,281)
Community Services	332	7,836	(7,504)
Debt Service - Interest on Long Term Debt	175,463	276,360	(100,897)
Debt Service - Bond Issuance Cost and Fees	177,453	163,877	13,576
Other Intergovernmental Charges	9,813	12,381	(2,568)
Total Expenses	6,912,375	8,872,056	(1,959,680)
Change in Net Position	(510,686)	(312,301)	(198,385)
Net Position - Beginning of Year	7,779,671	8,091,972	(312,301)
Prior Period Adjustment Required by GASB 68	(4,661,549)	-	(4,661,549)
Net Position - End of Year	\$ 2,607,436	\$ 7,779,671	\$ (5,172,235)

Figure 1

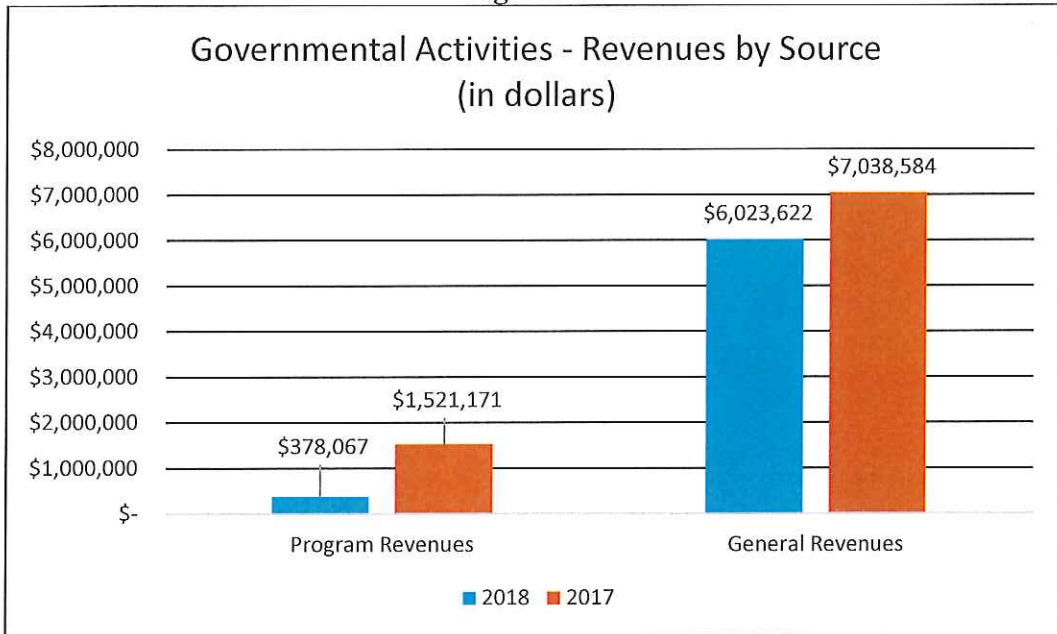
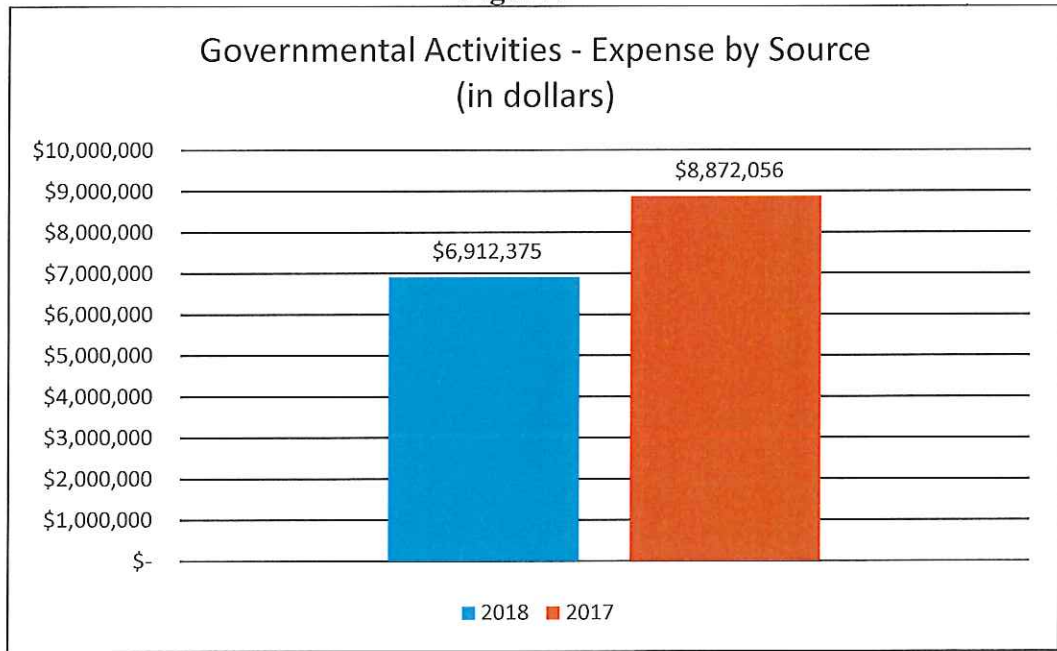


Figure 2



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 \$4,355,409, which represents an increase of \$1,552,469 over last year's total of \$2,802,940.

The District's General Fund balance of \$1,972,129 reported on page 50, differs from the General Fund's budgetary fund balance of \$1,307,312 reported in the budgetary comparison schedule, which is a difference of \$664,817.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had about \$19 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>2018</u>	<u>2017</u>
Land	\$ 147,793	\$ 147,793
Buildings and Improvements	15,760,365	15,115,773
Furniture and Equipment	1,515,606	1,442,366
Construction in Progress	<u>1,728,532</u>	<u>-</u>
Totals at Historical Costs	19,152,296	16,705,932
Accumulated Depreciation	<u>(6,653,802)</u>	<u>(6,169,977)</u>
Total Capital Assets (Net)	<u>\$ 12,498,494</u>	<u>\$ 10,535,955</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 \$9,752,822 in bonds and other long-term debt outstanding, which had a net increase from the prior year balance of \$4,820,150.

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

The District's elected and appointed officials considered many factors when setting the fiscal year 2018-2019 budget tax rates. Some of these factors were the district needs, the campus needs, appraised values and the City of La Villa economy. The following factors are highlights of the budget:

- The Average Daily Attendance (ADA) is projected to remain the same in fiscal year 2018-2019. The District's 2018-19 ADA is projected to be 561, which reflects a 0% increase;
- Any increases in revenue will be attributed to the changes in the ADA;
- The total budget tax rate is \$1.4838 which is composed of \$1.17 compressed rate for maintenance and operations and \$0.3138 for the payment of principal and interest on bonds;
- The appraised value for the 2018-2019 budget was \$131,851,147 an increase of approximately \$3.7 million compared to prior year appraised values.

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.

BASIC FINANCIAL STATEMENTS

LA VILLA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 4,508,623
1220 Property Taxes - Delinquent	317,044
1230 Allowance for Uncollectible Taxes	(47,557)
1240 Due from Other Governments	420,801
Capital Assets:	
1510 Land	147,793
1520 Buildings, Net	10,266,020
1530 Furniture and Equipment, Net	356,149
1580 Construction in Progress	1,728,532
1000 Total Assets	17,697,404
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	97,780
1703 Deferred Resource Outflow Related to TRS OPEB	48,551
1705 Deferred Resource Outflow Related to TRS Pension	613,065
1700 Total Deferred Outflows of Resources	759,396
LIABILITIES	
2110 Accounts Payable	204,648
2140 Interest Payable	14,410
2160 Accrued Wages Payable	225,390
2177 Due to Fiduciary Funds	119,108
2180 Due to Other Governments	15,406
2190 Due to Student Groups	2,951
2200 Accrued Expenses	6,512
Noncurrent Liabilities:	
2501 Due Within One Year	453,777
2502 Due in More Than One Year	9,299,046
2540 Net Pension Liability (District's Share)	1,391,738
2545 Net OPEB Liability (District's Share)	2,658,435
2000 Total Liabilities	14,391,421
DEFERRED INFLOWS OF RESOURCES	
2603 Deferred Resource Inflow Related to TRS OPEB	1,112,029
2605 Deferred Resource Inflow Related to TRS Pension	345,914
2600 Total Deferred Inflows of Resources	1,457,943
NET POSITION	
3200 Net Investment in Capital Assets	2,843,450
3820 Restricted for Federal and State Programs	38,975
3850 Restricted for Debt Service	1,029
3890 Restricted for Capital Projects	2,365,239
3900 Unrestricted	(2,641,257)
3000 Total Net Position	\$ 2,607,436

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, 2018

Data Control Codes	1	Program Revenues		6
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 2,802,359	\$ 9,039	\$ 47,171	\$ (2,746,148)
12 Instructional Resources and Media Services	83,738	-	(21,566)	(105,304)
13 Curriculum and Instructional Staff Development	174,985	-	276,715	101,730
23 School Leadership	310,839	-	(89,584)	(400,423)
31 Guidance, Counseling and Evaluation Services	139,652	-	(44,100)	(183,752)
33 Health Services	77,384	-	16,713	(60,671)
34 Student (Pupil) Transportation	99,474	-	(22,582)	(122,056)
35 Food Services	506,230	6,811	474,384	(25,035)
36 Extracurricular Activities	319,117	15,142	(41,835)	(345,810)
41 General Administration	517,161	-	(86,527)	(603,688)
51 Facilities Maintenance and Operations	1,296,197	-	(113,495)	(1,409,692)
52 Security and Monitoring Services	71,122	-	(25,013)	(96,135)
53 Data Processing Services	151,056	-	(23,206)	(174,262)
61 Community Services	332	-	-	(332)
72 Debt Service - Interest on Long-Term Debt	175,462	-	-	(175,462)
73 Debt Service - Bond Issuance Cost and Fees	177,453	-	-	(177,453)
99 Other Intergovernmental Charges	9,813	-	-	(9,813)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 6,912,375	\$ 30,992	\$ 347,075	(6,534,308)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			1,146,903
DT	Property Taxes, Levied for Debt Service			134,505
GC	Grants and Contributions not Restricted			4,724,205
IE	Investment Earnings			18,009
TR	Total General Revenues			6,023,622
CN	Change in Net Position			(510,686)
NB	Net Position - Beginning			7,779,671
PA	Prior Period Adjustment			(4,661,549)
NE	Net Position--Ending			\$ 2,607,436

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

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

Data Control Codes	10 General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 1,117,301	\$ 3,322,897	\$ 68,425	\$ 4,508,623
1220 Property Taxes - Delinquent	285,339	-	31,705	317,044
1230 Allowance for Uncollectible Taxes	(42,801)	-	(4,756)	(47,557)
1240 Due from Other Governments	158,348	-	262,453	420,801
1260 Due from Other Funds	1,137,501	-	-	1,137,501
1000 Total Assets	<u>\$ 2,655,688</u>	<u>\$ 3,322,897</u>	<u>\$ 357,827</u>	<u>\$ 6,336,412</u>
LIABILITIES				
2110 Accounts Payable	\$ 101,847	\$ 102,132	\$ 669	\$ 204,648
2160 Accrued Wages Payable	212,205	-	13,185	225,390
2170 Due to Other Funds	121,544	855,526	279,539	1,256,609
2180 Due to Other Governments	-	-	15,406	15,406
2190 Due to Student Groups	-	-	2,951	2,951
2200 Accrued Expenditures	5,425	-	1,087	6,512
2000 Total Liabilities	<u>441,021</u>	<u>957,658</u>	<u>312,837</u>	<u>1,711,516</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	242,538	-	26,949	269,487
2600 Total Deferred Inflows of Resources	<u>242,538</u>	<u>-</u>	<u>26,949</u>	<u>269,487</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	38,975	-	-	38,975
3480 Retirement of Long-Term Debt	-	-	1,029	1,029
Committed Fund Balance:				
3510 Construction	-	2,365,239	-	2,365,239
3600 Unassigned Fund Balance	1,933,154	-	17,012	1,950,166
3000 Total Fund Balances	<u>1,972,129</u>	<u>2,365,239</u>	<u>18,041</u>	<u>4,355,409</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,655,688</u>	<u>\$ 3,322,897</u>	<u>\$ 357,827</u>	<u>\$ 6,336,412</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, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	4,355,409
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 \$16,695,932 and the accumulated depreciation was (\$6,169,977). 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.		5,705,805
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 2018 capital outlays and debt principal payments is to decrease net position.		2,033,354
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 \$26613,065, a deferred resource inflow in the amount of \$345,914, and a net pension liability in the amount of \$1,391,738. This resulted in an increase (decrease) in net position.		(1,124,587)
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 \$48,551, a deferred resource inflow in the amount of \$1,112,029, and a net OPEB liability in the amount of \$2,658,435. This resulted in an increase (decrease) in net position.		(3,721,913)
6 The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(483,825)
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.		(4,156,807)
19 Net Position of Governmental Activities	\$	2,607,436

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, 2018

Data Control Codes	10 General Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,199,511	\$ 7,814	\$ 135,281	\$ 1,342,606
5800 State Program Revenues	4,959,252	-	211,427	5,170,679
5900 Federal Program Revenues	504,127	-	651,472	1,155,599
5020 Total Revenues	6,662,890	7,814	998,180	7,668,884
EXPENDITURES:				
Current:				
0011 Instruction	3,237,238	-	339,889	3,577,127
0012 Instructional Resources and Media Services	108,980	-	-	108,980
0013 Curriculum and Instructional Staff Development	4,740	-	276,704	281,444
0023 School Leadership	543,500	-	1,898	545,398
0031 Guidance, Counseling and Evaluation Services	202,307	-	-	202,307
0033 Health Services	82,693	-	32,981	115,674
0034 Student (Pupil) Transportation	146,979	-	-	146,979
0035 Food Services	583,226	-	-	583,226
0036 Extracurricular Activities	364,617	-	-	364,617
0041 General Administration	662,125	-	-	662,125
0051 Facilities Maintenance and Operations	1,141,649	-	-	1,141,649
0052 Security and Monitoring Services	128,076	-	-	128,076
0053 Data Processing Services	185,662	-	-	185,662
0061 Community Services	332	-	-	332
Debt Service:				
0071 Principal on Long-Term Debt	-	-	320,001	320,001
0072 Interest on Long-Term Debt	-	-	239,823	239,823
0073 Bond Issuance Cost and Fees	-	-	177,453	177,453
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	2,671,182	-	2,671,182
Intergovernmental:				
0099 Other Intergovernmental Charges	9,813	-	-	9,813
6030 Total Expenditures	7,401,937	2,671,182	1,388,749	11,461,868
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(739,047)	(2,663,368)	(390,569)	(3,792,984)
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	5,000,000	2,175,000	7,175,000
7915 Transfers In	-	-	61,225	61,225
7916 Premium or Discount on Issuance of Bonds	-	-	565,683	565,683
8911 Transfers Out (Use)	(61,225)	-	-	(61,225)
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	(2,395,230)	(2,395,230)
7080 Total Other Financing Sources (Uses)	(61,225)	5,000,000	406,678	5,345,453
1200 Net Change in Fund Balances	(800,272)	2,336,632	16,109	1,552,469
0100 Fund Balance - September 1 (Beginning)	2,772,401	28,607	1,932	2,802,940
3000 Fund Balance - August 31 (Ending)	\$ 1,972,129	\$ 2,365,239	\$ 18,041	\$ 4,355,409

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, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	1,552,469
<p>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.</p>		
		-
<p>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 2018 capital outlays and debt principal payments is to decrease net position.</p>		
		2,033,354
<p>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.</p>		
		(483,825)
<p>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.</p>		
		(4,494,554)
<p>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 \$147,082. 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 \$141,531. 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 \$63,317. The net result in an increase (decrease) in the change in net position.</p>		
		(57,766)
<p>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 \$48,135. 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 \$31,784. 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 (\$923,285). The net result is an increase (decrease) in the change in net position.</p>		
		939,636
Change in Net Position of Governmental Activities	\$	(510,686)

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, 2018

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 109,300
Due from Other Funds	119,108
Total Assets	<u>\$ 228,408</u>
LIABILITIES	
Accounts Payable	\$ 1,775
Payroll Deductions and Withholdings Payable	167,646
Due to Student Groups	58,987
Total Liabilities	<u>\$ 228,408</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, 2018

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, 2018

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, 2018

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, 2018

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	\$ 285,339	\$ 31,705	\$ 317,044
Allowance for Uncollectible Taxes	(42,801)	(4,756)	(47,557)
Net Taxes	<u>\$ 242,538</u>	<u>\$ 26,949</u>	<u>\$ 269,487</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, 2018

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

3. FINANCIAL STATEMENT AMOUNTS

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, 2018

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, 2018

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, 2018

B. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

3. Budgetary Data

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:

	August 31, 2018
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 579,291
Nonappropriated Budget Funds	<u>651,472</u>
All Special Revenue Funds	<u>\$ 1,230,763</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>
None Reported		

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, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,617,923 and the bank balance was \$4,692,931. The District's cash deposits at August 31, 2018 and during the year ended August 31, 2018, 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, 2018

C. DEPOSITS AND INVESTMENTS

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, 2018.

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, 2018

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, 2018

D. CAPITAL ASSETS

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 147,793	\$ -	\$ -	\$ 147,793
Construction In Progress	-	1,728,532	-	1,728,532
Total capital assets not being depreciated	<u>147,793</u>	<u>1,728,532</u>	<u>-</u>	<u>1,876,325</u>
Capital assets being depreciated:				
Buildings and Improvements	15,115,773	644,592	-	15,760,365
Furniture and Equipment	1,432,366	83,240	-	1,515,606
Totals capital assets being depreciated	<u>16,548,139</u>	<u>727,832</u>	<u>-</u>	<u>17,275,971</u>
Less Accumulated Depreciated for:				
Buildings and Improvements	(5,164,148)	(330,197)	-	(5,494,345)
Furniture & Equipment	(1,005,828)	(153,628)	-	(1,159,456)
Total Accumulated Depreciation	<u>(6,169,977)</u>	<u>(483,825)</u>	<u>-</u>	<u>(6,653,802)</u>
Total capital assets being depreciated, net	<u>10,378,162</u>	<u>244,007</u>	<u>-</u>	<u>10,622,169</u>
Governmental Activities capital assets, net	<u>\$ 10,525,955</u>	<u>\$ 1,972,539</u>	<u>\$ -</u>	<u>\$ 12,498,494</u>

Depreciation was charged to functions as follows:

Instruction	\$ 291,460
Instructional Resources and Media Services	7,982
School Leadership	15,966
Guidance, Counseling, & Evaluating Services	7,982
Health Services	3,967
Student (Pupil) Transportation	17,466
Food Services	27,964
Cocurricular/Extracurricular Activities	19,981
General Administration	35,077
Plant Maintenance and Operation	55,978
Total Depreciation Expense	<u>\$ 483,825</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, 2018, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$ 61,225
	Total	<u>\$ 61,225</u>
<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Special Revenue Funds	General Fund	\$ 281,239
Debt Service Fund	General Fund	\$ 736
Capital Projects Fund	General Fund	\$ 855,526
Special Revenue Funds	Fiduciary Fund	\$ 35,155
General Fund	Fiduciary Fund	\$ 83,953
	Total	<u>\$ 1,256,609</u>

LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2018

F. FUND BALANCES

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

Restricted Fund Balances:	
Federal or State Funds Grant Restriction	\$ 38,975
Retirement of Long-Term Debt	1,029
Committed Fund Balances	
Construction	2,365,239
Unassigned:	1,950,166
Total Fund Balance	<u>\$ 4,355,409</u>

G. LEASE OBLIGATIONS

The District entered into a lease agreement as lessee for financing the acquisition of computers, laptops, document cameras, and projectors with HP Financial Services Company in the amount of \$173,818 in fiscal year 2015. The equipment has a five-year estimated useful life. This year, \$24,831 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of August 31, 2018, were as follows:

<u>Year ending August 31</u>	<u>Governmental Activities</u>
2019	-
2020	-
Total minimum lease payments	-
Less: amount representing interest	-
Present value of minimum lease payments	<u>\$ -</u>

LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2018

H. 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, 2018, are as follows:

Description	Maturity Date	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Outstanding 09/01/17	Increases	Decreases	Ending Balance 8/31/2018	Due within one year	
2008 Unlimited Tax Refunding Bonds	8/15/2030	4-4.25%	\$ 3,760,000	\$ 48,456	\$ 2,385,000	\$ -	\$ 2,385,000	\$ -	\$ -	
2016 Unlimited Tax Refunding Bonds	8/15/2037	2-3.00%	2,160,000	76,450	2,120,000	-	75,000	2,045,000	80,000	
2018 Unlimited Tax Refunding Bonds	8/15/2037	2-4.00%	7,175,000	114,916	-	7,175,000	245,000	6,930,000	295,000	
Net Premium/Discount					227,936	565,683	47,286	746,332	47,286	
Capital Lease Payable			173,818		25,157	-	25,157	-	-	
Capital Lease Payable			148,485		62,057	-	30,567	31,490	31,490	
Total Long-Term Debt					\$ 239,822	\$ 4,820,150	\$ 7,740,683	\$ 2,808,010	\$ 9,752,822	\$ 453,776
Net Pension Liability					1,812,610	-	420,872	1,391,738	-	
Net OPEB Liability					-	2,658,435	-	2,658,435	-	
Total Other Long-Term Debt					-	1,812,610	2,658,435	4,050,173	-	
Total Governmental Activities					\$ 239,822	\$ 6,632,760	\$ 10,399,118	\$ 3,228,882	\$ 13,802,995	\$ 453,776

2. Debt Service Requirements

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

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2019	406,490	345,850	752,340
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
Thereafter	6,955,000	2,444,200	9,399,200
Totals	\$ 9,006,490	\$ 4,044,300	\$ 13,050,790

LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

For The Year Ended August 31, 2018

H. LONG-TERM OBLIGATIONS

3. Advance Refunding of Debt

On December 6, 2007 the District issued Series 2008 bonds totaling \$3,760,000 with interest rates ranging from 3.50% to 4.00% to advance refund \$1,595,000 of Series 1997 Bonds with an interest rate of 5.30% to 5.60% and \$2,165,000 of Series 2000 with interest rates from 4.75% to 5.20%. 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, \$2,165,000 of Series 2000 and \$1,595,000 of Series 1997 bonds are considered to be defeased and the liability for those bonds was removed from long-term 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, 2018 the District issued Series 2018 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 \$97,780.

I. 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.

LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2018

J. PENSION PLAN OBLIGATIONS

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.

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

Contributions

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

LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2018

J. PENSION PLAN OBLIGATIONS (Continued)

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates		
	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
La Villa ISD 2018 Employer Contributions		\$ 147,082
La Villa ISD 2018 Member Contributions		\$ 343,444
La Villa ISD 2017 NECE On-Behalf Contributions		\$ 231,693

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, 2018

J. 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.

Actuarial Assumptions

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate

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

LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2018

J. PENSION PLAN OBLIGATIONS (Continued)

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

**Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2017**

	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long- Term Portfolio Returns*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	0.3%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
La Villa's proportionate share of the net pension liability:	\$ 2,346,196	\$ 1,391,738	\$ 596,998

LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2018

J. PENSION PLAN OBLIGATIONS (Continued)

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

At August 31, 2018, the District reported a liability of \$1,391,738 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	\$ 1,391,738
State's proportionate share that is associated with the District	<u>2,265,158</u>
Total	<u>\$ 3,656,896</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was .0043526358% which was an increase (decrease) of (.0004440861%) from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$377,625 and revenue of \$172,777 for support provided by the State.

LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2018

J. PENSION PLAN OBLIGATIONS (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 20,362	\$ 75,055
Changes in actuarial assumptions	63,396	36,293
Difference between projected and actual investment earnings	-	101,427
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	382,225	133,139
Total as August 31, 2017 measurement date	465,983	345,914
Contributions paid to TRS subsequent to the measurement date	147,082	-
Total as of fiscal year-end	\$ 613,065	\$ 345,914

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
2019	21,010
2020	109,848
2021	14,185
2022	(12,010)
2023	5,676
Thereafter	(18,640)

LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2018

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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.

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.

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 the average retiree with Medicare parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates			
Effective Sept. 1, 2016 - Dec. 31, 2017			
	TRS-Care 1	TRS-Care 2	TRS-Care 3
	Basic Plan	Optional Plan	Optional Plan
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82
<i>*or surviving spouse</i>			

LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2018

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

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 1.0% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
La Villa ISD 2018 Employer Contributions		\$ 48,135
La Villa ISD 2018 Member Contributions		\$ 30,399
La Villa ISD 2017 NECE On-Behalf Contributions		\$ 40,262

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: *Actuarial Assumptions can be found in the 2017 TRS CAFR, Note 10, page 82.*

LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

For The Year Ended August 31, 2018

K. 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
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate*	3.42%*
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases**	3.50%-9.50%**
Healthcare Trend Rates***	4.50%-12.00%***
Election Rates	Normal Retirement : 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

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

**Includes Inflation at 2.50%

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

Other Information:

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

LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

For The Year Ended August 31, 2018

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Discount Rate:

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. *The Discount Rate can be found in the 2017 TRS CAFR on page 83.* 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.

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 (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
La Villa's proportionate share of the Net OPEB liability:	\$ 3,137,614	\$ 2,658,435	\$ 2,273,284

Healthcare Cost Trend Rates Sensitivity Analysis

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
La Villa's proportionate share of the Net OPEB liability:	\$ 2,213,413	\$ 2,658,435	\$ 3,242,361

LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2018

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

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

At August 31, 2018, the District reported a liability of \$2,658,435 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	\$ 2,658,435
State's proportionate share that is associated with the District	3,367,635
Total	<u>\$ 6,026,070</u>

The Net OPEB liability was measured as of August 31, 201 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2018 the employer's proportion of the collective Net OPEB Liability was .0061132779%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2016 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

Changes Since the Prior Actuarial Valuation

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

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

LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2018

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

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

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

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

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

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

For the year ended August 31, 2018, the District recognized OPEB expense of (\$2,018,401) and revenue of (\$1,126,900) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 55,497
Changes in actuarial assumptions	-	1,056,532
Difference between projected and actual investment earnings	404	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	12	-
Total as of August 31, 2017 measurement date	416	1,112,029
Contributions paid to TRS subsequent to the measurement date	48,135	-
Total as of fiscal year-end	\$ 48,551	\$ 1,112,029

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
2019	(146,678)
2020	(146,678)
2021	(146,678)
2022	(146,678)
2023	(146,678)
Thereafter	(378,122)

LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2018

L. 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 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 2017, 2016 and 2015. 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, 2018, 2017, and 2016 the State's contributions to TRS-Care were \$30,258, \$29,869, and \$29,570 and the school district's contributions were \$34,454, \$25,274, and \$25,022, 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 2018, 2017 and 2016 were \$14,372, \$14,408, and \$18,308 respectively.

M. HEALTH CARE COVERAGE

During the year ended August 31, 2018, employees of the District were covered by health insurance plan (the Plan). The District paid premiums of \$351 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.

LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2018

N. 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.

O. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Net Tax Revenue	\$ 242,538	\$ -	\$ 26,949	\$ 269,487
Total Deferred Revenue	<u>\$ 242,538</u>	<u>\$ -</u>	<u>\$ 26,949</u>	<u>\$ 269,487</u>

P. DUE FROM 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, 2018, 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 FROM FUND</u>	<u>STATE ENTITLEMENTS</u>	<u>FEDERAL GRANTS</u>	<u>TOTAL</u>
General		\$ 158,348	\$ -	\$ 158,348
Special Revenue		-	262,453	262,453
Total		<u>158,348</u>	<u>262,453</u>	<u>420,801</u>
	<u>DUE TO FUND</u>			
Special Revenue		-	15,406	15,406
		<u>\$ -</u>	<u>\$ 15,406</u>	<u>\$ 15,406</u>

LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

For The Year Ended August 31, 2018

Q. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General</u>	<u>Special</u>	<u>Debt</u>	<u>Capital</u>	
	<u>Fund</u>	<u>Revenue</u>	<u>Service</u>	<u>Projects</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
Property Taxes	\$ 1,137,201	\$ -	\$ 130,867	\$ -	\$ 1,268,068
Penalties, Interest and Other					
Tax-related Income	21,899	-	3,638	-	25,538
Investment Income	9,419	-	776	7,814	18,009
Food Sales	6,811	-	-	-	6,811
Co-curricular Student Activities	15,142	-	-	-	15,142
Other	9,039	-	-	-	9,039
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 1,199,511</u>	<u>\$ -</u>	<u>\$ 135,281</u>	<u>\$ 7,814</u>	<u>\$ 1,342,606</u>

R. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 25, 2019 the date which the financial statements were available to be issued.

S. 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 2017-2018	<u>\$ 381,778</u>
b) Subtract any non-medical expenditures	
Life Insurance	\$ 522
Long-Term Disability	-
	<hr/>
c) 2017-2018 Maintenance of Effort	<u>\$ 381,256</u>

LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2018

T. SHARED SERVICE AGREEMENTS

The Center is the fiscal agent for a Shared Service Arrangement (“SSA”), which provides assistance to support various comprehensive professional development plans to the member districts listed below. The fiscal agent provides all services. According to guidance provided in TEA’s Resource Guide, the Center has accounted for using Model 1 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Title II Part A</u>	<u>Title III Part A LEP</u>
Gateway Academy	\$ 6,858	\$ 4,913
Jim Hogg ISD	-	2,098
Lasara ISD	-	1,327
La Villa ISD	-	187
Mid-Valley Academy	8,367	868
San Isidro ISD	-	2,511
San Perlita ISD	-	677
South Texas ISD	-	2,347
Webb CONS ISD	-	433
	<u>\$ 15,225</u>	<u>\$ 15,361</u>

U. 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.

V. 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

LA VILLA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2018

W. PRIOR PERIOD ADJUSTMENTS

During fiscal year 2018, the District adopted GASB statement No. 75 for *Accounting and Financial Reporting for Post-employment Benefits Other Than Pension*. With GASB 75, the District assumed their proportional share of net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled (\$4,661,549) which resulted in a restated beginning net position balance of \$3,118,122.

Beginning Net OPEB Liability	\$ (4,693,333)
Deferred Resource Outflow Related to TRS OPEB	31,784
Total Prior Period Adjustment	<u>\$ (4,661,549)</u>

X. NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS – STATEMENT OF ACTIVITIES

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

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

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
Instruction	\$ 46,503	\$ (601,387)	\$ 647,890
Instructional Resources and Media Services	(21,566)	(23,316)	1,750
Curriculum Development and Instructional Staff Development	276,715	-	276,715
School Leadership	(89,584)	(98,905)	9,321
Guidance, Counseling and Evaluation Services	(44,100)	(47,678)	3,578
Health Services	16,713	(17,588)	34,301
Student (Pupil) Transportation	(22,582)	(24,415)	1,833
Food Services	474,384	-	474,384
Extracurricular Activities	(41,835)	(45,229)	3,394
General Administration	(86,527)	(93,546)	7,019
Facilities Maintenance and Operations	(113,495)	(122,704)	9,209
Security and Monitoring Services	(25,013)	(27,043)	2,030
Data Processing Services	(23,206)	(25,089)	1,883
	<u>\$ 346,407</u>	<u>\$ (1,126,900)</u>	<u>\$ 1,473,307</u>

**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, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,274,000	\$ 1,292,562	\$ 1,199,511	\$ (93,051)
5800	State Program Revenues	5,634,104	5,656,389	4,959,252	(697,137)
5900	Federal Program Revenues	7,500	492,500	504,127	11,627
5020	Total Revenues	6,915,604	7,441,451	6,662,890	(778,561)
EXPENDITURES:					
Current:					
0011	Instruction	3,310,822	3,254,980	3,237,238	17,742
0012	Instructional Resources and Media Services	121,425	122,035	108,980	13,055
0013	Curriculum and Instructional Staff Development	18,033	18,033	4,740	13,293
0021	Instructional Leadership	3,277	3,277	-	3,277
0023	School Leadership	528,886	550,949	543,500	7,449
0031	Guidance, Counseling and Evaluation Services	204,625	207,076	202,307	4,769
0033	Health Services	89,778	90,678	82,693	7,985
0034	Student (Pupil) Transportation	176,598	179,542	146,979	32,563
0035	Food Services	4,715	620,277	583,226	37,051
0036	Extracurricular Activities	468,135	490,797	364,617	126,180
0041	General Administration	723,233	723,739	662,125	61,614
0051	Facilities Maintenance and Operations	2,109,283	2,127,391	1,141,649	985,742
0052	Security and Monitoring Services	167,993	169,674	128,076	41,598
0053	Data Processing Services	185,890	188,415	185,662	2,753
0061	Community Services	6,500	6,500	332	6,168
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	140,000	140,000	-	140,000
0099	Other Intergovernmental Charges	12,000	13,177	9,813	3,364
6030	Total Expenditures	8,271,193	8,906,540	7,401,937	1,504,603
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,355,589)	(1,465,089)	(739,047)	726,042
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	-	(61,225)	(61,225)
1200	Net Change in Fund Balances	(1,355,589)	(1,465,089)	(800,272)	664,817
0100	Fund Balance - September 1 (Beginning)	2,772,401	2,772,401	2,772,401	-
3000	Fund Balance - August 31 (Ending)	\$ 1,416,812	\$ 1,307,312	\$ 1,972,129	\$ 664,817

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, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.004352636%	0.004796722%	0.0042264%	0.0028692%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,391,738	\$ 1,812,610	\$ 1,493,976	\$ 766,403
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	2,265,158	2,692,256	2,654,898	2,172,430
Total	<u>\$ 3,656,896</u>	<u>\$ 4,504,866</u>	<u>\$ 4,148,874</u>	<u>\$ 2,938,833</u>
District's Covered Payroll	\$ 4,549,451	\$ 4,549,407	\$ 4,237,190	\$ 2,938,833
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	30.59%	39.84%	35.26%	26.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

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, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only four 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."

LA VILLA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 147,082	\$ 141,252	\$ 151,669	\$ 127,544
Contribution in Relation to the Contractually Required Contribution	(147,082)	(141,252)	(151,669)	(127,544)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 4,676,802	\$ 4,595,307	\$ 4,540,067	\$ 4,237,190
Contributions as a Percentage of Covered Payroll	3.14%	3.07%	3.34%	3.01%

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 year.

Note: In accordance with GASB 68, Paragraph 138, only four 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."

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, 2018

	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.006113278%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 2,658,435
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) Associated with the District	3,367,635
Total	\$ 6,026,070
District's Covered Payroll	\$ 4,549,451
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	58.43%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the year 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 2018

	2018
Contractually Required Contribution	\$ 48,135
Contribution in Relation to the Contractually Required Contribution	(48,135)
Contribution Deficiency (Excess)	\$ -0-
District's Covered Payroll	\$ 4,676,802
Contributions as a Percentage of Covered Payroll	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.

COMBINING AND OTHER STATEMENTS

LA VILLA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

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	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ 4,418	\$ 1,890
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes	-	-	-	-
1240	Due from Other Governments	175,739	79,205	7,315	-
1000	Total Assets	<u>\$ 175,739</u>	<u>\$ 79,205</u>	<u>\$ 11,733</u>	<u>\$ 1,890</u>
LIABILITIES					
2110	Accounts Payable	\$ 669	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	9,619	3,566	-	-
2170	Due to Other Funds	162,081	75,049	11,721	390
2180	Due to Other Governments	2,644	229	12	1,500
2190	Due to Student Groups	-	-	-	-
2200	Accrued Expenditures	726	361	-	-
2000	Total Liabilities	<u>175,739</u>	<u>79,205</u>	<u>11,733</u>	<u>1,890</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3480	Retirement of Long-Term Debt	-	-	-	-
3600	Unassigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 175,739</u>	<u>\$ 79,205</u>	<u>\$ 11,733</u>	<u>\$ 1,890</u>

273 Mathematics & Science Partnerships	274 GEAR UP	289 Other Federal Special Revenue Funds	331 SSA - Career & Technical - Basic Grant	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
\$ 4,050	\$ 30,937	\$ 3,881	\$ -	\$ 2,219	\$ 15,824	\$ 3,440	\$ 66,659
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	194	-	-	-	-	-	262,453
<u>\$ 4,050</u>	<u>\$ 31,131</u>	<u>\$ 3,881</u>	<u>\$ -</u>	<u>\$ 2,219</u>	<u>\$ 15,824</u>	<u>\$ 3,440</u>	<u>\$ 329,112</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 669
-	-	-	-	-	-	-	13,185
4,050	20,909	3,719	-	-	394	489	278,802
-	10,222	162	-	628	9	-	15,406
-	-	-	-	-	-	2,951	2,951
-	-	-	-	-	-	-	1,087
<u>4,050</u>	<u>31,131</u>	<u>3,881</u>	<u>-</u>	<u>628</u>	<u>403</u>	<u>3,440</u>	<u>312,100</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,591	15,421	-	17,012
-	-	-	-	1,591	15,421	-	17,012
<u>\$ 4,050</u>	<u>\$ 31,131</u>	<u>\$ 3,881</u>	<u>\$ -</u>	<u>\$ 2,219</u>	<u>\$ 15,824</u>	<u>\$ 3,440</u>	<u>\$ 329,112</u>

LA VILLA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

Data Control Codes	511 Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ 1,766	\$ 68,425
1220 Property Taxes - Delinquent	31,705	31,705
1230 Allowance for Uncollectible Taxes	(4,756)	(4,756)
1240 Due from Other Governments	-	262,453
1000 Total Assets	<u>\$ 28,715</u>	<u>\$ 357,827</u>
LIABILITIES		
2110 Accounts Payable	\$ -	\$ 669
2160 Accrued Wages Payable	-	13,185
2170 Due to Other Funds	737	279,539
2180 Due to Other Governments	-	15,406
2190 Due to Student Groups	-	2,951
2200 Accrued Expenditures	-	1,087
2000 Total Liabilities	<u>737</u>	<u>312,837</u>
DEFERRED INFLOWS OF RESOURCES		
2601 Unavailable Revenue - Property Taxes	26,949	26,949
2600 Total Deferred Inflows of Resources	<u>26,949</u>	<u>26,949</u>
FUND BALANCES		
Restricted Fund Balance:		
3480 Retirement of Long-Term Debt	1,029	1,029
3600 Unassigned Fund Balance	-	17,012
3000 Total Fund Balances	<u>1,029</u>	<u>18,041</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 28,715</u>	<u>\$ 357,827</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, 2018

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
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	494,994	123,316	29,782	3,194
5020 Total Revenues	494,994	123,316	29,782	3,194
EXPENDITURES:				
Current:				
0011 Instruction	214,813	123,316	-	1,574
0013 Curriculum and Instructional Staff Development	245,302	-	29,782	1,620
0023 School Leadership	1,898	-	-	-
0033 Health Services	32,981	-	-	-
Debt Service:				
0071 Principal on Long-Term Debt	-	-	-	-
0072 Interest on Long-Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	494,994	123,316	29,782	3,194
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	-	-	-
7915 Transfers In	-	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	-	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

273 Mathematics & Science Partnerships	274 GEAR UP	289 Other Federal Special Revenue Funds	331 SSA - Career & Technical - Basic Grant	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	392	15,421	-	15,813
-	186	-	-	-	-	-	651,472
-	186	-	-	392	15,421	-	667,285
-	186	-	-	-	-	-	339,889
-	-	-	-	-	-	-	276,704
-	-	-	-	-	-	-	1,898
-	-	-	-	-	-	-	32,981
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	186	-	-	-	-	-	651,472
-	-	-	-	392	15,421	-	15,813
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	392	15,421	-	15,813
-	-	-	-	1,199	-	-	1,199
\$ -	\$ -	\$ -	\$ -	\$ 1,591	\$ 15,421	\$ -	\$ 17,012

LA VILLA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	511 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 135,281	\$ 135,281
5800 State Program Revenues	195,614	211,427
5900 Federal Program Revenues	-	651,472
5020 Total Revenues	<u>330,895</u>	<u>998,180</u>
EXPENDITURES:		
Current:		
0011 Instruction	-	339,889
0013 Curriculum and Instructional Staff Development	-	276,704
0023 School Leadership	-	1,898
0033 Health Services	-	32,981
Debt Service:		
0071 Principal on Long-Term Debt	320,001	320,001
0072 Interest on Long-Term Debt	239,823	239,823
0073 Bond Issuance Cost and Fees	177,453	177,453
6030 Total Expenditures	<u>737,277</u>	<u>1,388,749</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(406,382)</u>	<u>(390,569)</u>
OTHER FINANCING SOURCES (USES):		
7911 Capital Related Debt Issued (Regular Bonds)	2,175,000	2,175,000
7915 Transfers In	61,225	61,225
7916 Premium or Discount on Issuance of Bonds	565,683	565,683
8940 Payment to Bond Refunding Escrow Agent (Use)	(2,395,230)	(2,395,230)
7080 Total Other Financing Sources (Uses)	<u>406,678</u>	<u>406,678</u>
1200 Net Change in Fund Balance	296	16,109
0100 Fund Balance - September 1 (Beginning)	733	1,932
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,029</u>	<u>\$ 18,041</u>

T.E.A. REQUIRED SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ 60,624,029
2010	1.033800	0.191000	71,799,086
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 (School year under audit)	1.170000	0.133800	99,628,786
1000 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
\$ 131,357	\$ -	\$ 3,285	\$ 667	\$ (3,629)	\$ 123,776
11,181	-	982	181	(448)	9,570
13,264	-	1,300	240	(442)	11,282
11,601	-	1,273	333	(558)	9,437
21,032	-	1,218	318	(881)	18,615
24,000	-	1,675	192	(5,652)	16,481
30,655	-	2,559	293	(5,993)	21,810
32,743	-	5,246	600	(5,261)	21,636
55,562	-	9,900	1,132	(11,306)	33,224
-	1,298,960	1,109,763	126,912	(11,071)	51,214
<u>\$ 331,394</u>	<u>\$ 1,298,960</u>	<u>\$ 1,137,201</u>	<u>\$ 130,868</u>	<u>\$ (45,241)</u>	<u>\$ 317,044</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, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 18,562	\$ 18,562	\$ 6,811	\$ (11,751)
5800 State Program Revenues	2,500	2,500	2,421	(79)
5900 Federal Program Revenues	470,000	485,000	471,963	(13,037)
5020 Total Revenues	491,062	506,062	481,195	(24,867)
EXPENDITURES:				
0035 Food Services	491,062	615,562	579,291	36,271
6030 Total Expenditures	491,062	615,562	579,291	36,271
1200 Net Change in Fund Balances	-	(109,500)	(98,096)	11,404
0100 Fund Balance - September 1 (Beginning)	137,071	137,071	137,071	-
3000 Fund Balance - August 31 (Ending)	\$ 137,071	\$ 27,571	\$ 38,975	\$ 11,404

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, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 148,050	\$ 148,050	\$ 135,281	\$ (12,769)
5800	State Program Revenues	217,096	217,096	195,614	(21,482)
5020	Total Revenues	365,146	365,146	330,895	(34,251)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	310,000	320,001	320,001	-
0072	Interest on Long-Term Debt	173,363	239,823	239,823	-
0073	Bond Issuance Cost and Fees	-	177,453	177,453	-
6030	Total Expenditures	483,363	737,277	737,277	-
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(118,217)	(372,131)	(406,382)	(34,251)
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	-	2,175,000	2,175,000
7915	Transfers In	118,217	118,217	61,225	(56,992)
7916	Premium or Discount on Issuance of Bonds	-	-	565,683	565,683
8940	Payment to Bond Refunding Escrow Agent (Use)	-	-	(2,395,230)	(2,395,230)
7080	Total Other Financing Sources (Uses)	118,217	118,217	406,678	288,461
1200	Net Change in Fund Balances	-	(253,914)	296	254,210
0100	Fund Balance - September 1 (Beginning)	733	733	733	-
3000	Fund Balance - August 31 (Ending)	\$ 733	\$ (253,181)	\$ 1,029	\$ 254,210

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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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Corpus Christi, Texas 78411

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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***

La Villa Independent School District
500 East 9th 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of La Villa Independent School District, as of and for the year ended August 31, 2018, 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 25, 2019.

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 items 2018-001 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 25, 2019

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

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 9th 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, 2018. 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, 2018.

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, 2018, and have issued our report thereon dated January 25, 2019, 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 25, 2019

**LA VILLA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018**

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, 2018**

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.

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.

**LA VILLA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018**

B. Financial Statement Findings

Finding No. 2018-001 Closing of Financial Statements (continued)

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.

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, 2018

N/A

LA VILLA INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2018

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.

The Chief Financial Officer 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, 2018

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18-610101108914	\$ 494,994
ESEA, Title I, Part C - Migratory Children	84.011	18-615001108914	123,316
GEAR UP	84.334S	P334A110180-16	186
Title III, Part A - English Language Acquisition	84.365A	18-671001108914	3,194
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	18-694501108914	29,782
Total Passed Through State Department of Education			651,472
TOTAL U.S. DEPARTMENT OF EDUCATION			651,472
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401801	166,799
*National School Lunch Program - Cash Assistance	10.555	71301801	305,164
Total Child Nutrition Cluster			471,963
Total Passed Through the State Department of Agriculture			471,963
TOTAL U.S. DEPARTMENT OF AGRICULTURE			471,963
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,123,435

*Clustered Programs

**LA VILLA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018**

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, 2018, the District had no sub-recipients.

Federal Loans and Loan Guarantees:

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

Federally Funded Insurance:

During the year ended August 31, 2018, the District had no federally funded insurance.

Noncash awards:

During the year ended August 31, 2018, 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	\$ 1,123,435
SHARS	32,164
Exhibit C-3	<u>\$ 1,155,599</u>

SCHOOLS FIRST QUESTIONNAIRE

La Villa Independent School District

Fiscal Year 2018

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	
SF11	Net Pension Assets (1920) at fiscal year-end.	
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 4,050,173
SF13	Pension Expense (6147) at fiscal year-end.	