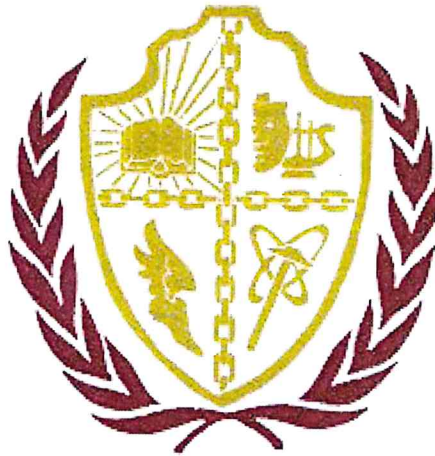


Donna Independent School District

Donna, Texas

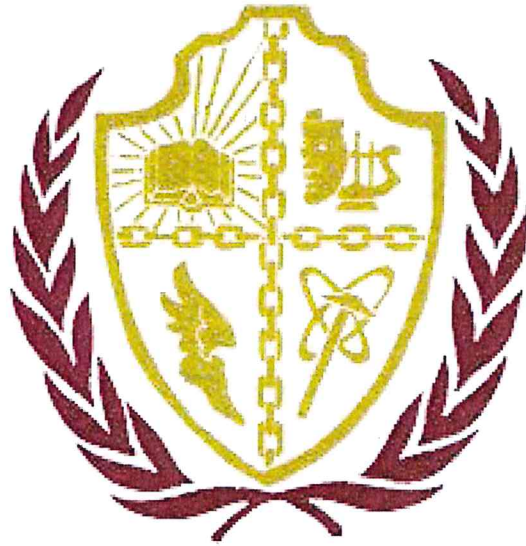


**Comprehensive Annual Financial Report
For the Fiscal Year Ended August 31, 2017**

Prepared by the Business & Finance Office

*Donna Independent School District
116 North 10th Street
Donna, Texas 78537
www.donnaisd.net*

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INTRODUCTIONARY SECTION

Donna ISD.....

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DONNA INDEPENDENT SCHOOL DISTRICT

Donna, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2017

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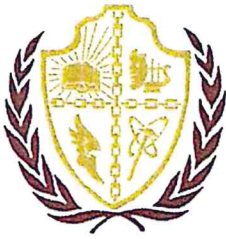
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Donna Independent School District

116 North 10th Street * Donna, Texas 78537
Telephone (956) 461-4320 * Fax (956) 464-1636

"Be the Change"

July 24, 2018

**Mr. Efren Cenicerros, President, and
Members of the Board of Trustees
Donna Independent School District
116 North 10th Street
Donna, Texas 78537**

Dear Mr. Cenicerros, Board of Trustees, and Citizens:

The Texas Education Code requires that all school districts file a complete set of financial statements with the Texas Education Agency (TEA) within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the Donna Independent School District (the District) for the fiscal year ended August 31, 2017.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures contained in the report, rests solely with the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the position and results of operation of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Management of the District is responsible for establishing and maintaining internal control structures designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgements by management.

The financial statements of the District have been audited by Carr, Riggs and Ingram, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended August 31, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial

statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended August 31, 2017 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District was part of a broader, federally mandated "Single Audit" designated to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statement, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditors' reports on the internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in the Federal Awards Section of the report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

This comprehensive annual financial report consists of four major sections: (1) the Introductory Section which describes our District and the contents of the report; (2) the Financial Section which contains the basic financial statements and notes, combining schedules and required TEA schedules; (3) the Statistical Section which shows prior years' information for comparison purposes and other general information; and (4) the Federal Awards Section, as required.

GOVERNING BODY

The District is a political subdivision of the State of Texas and governed and operating as an independent school district under the laws thereof. The District is located entirely in Hidalgo County, Texas and serves a population of approximately 50,000 persons and provides services to the City of Donna and surrounding areas. The District, originally chartered by the State on or about 1919, now encompasses eighty-nine and a third square miles.

The policy-making functions of the District lie with a seven-member Board of Trustees (the Board) composed of District residents, each of which is elected by the voters of the district for four-year staggered terms. Regular meetings are scheduled the second Tuesday of the month and are held in the Staff Development/Board Room of the Administrative building. Special called meetings, committee meetings and workshop sessions are scheduled as needed and announced to the public in compliance with public notice requirements.

The Board has final control over local school matters limited only by the state legislature, the court system and by the will of its citizens as expressed in school Board elections and bond referendums. Board decisions are based on a majority vote of those present.

In general, the Board is responsible for adopting policy, employing and evaluating the Superintendent and overseeing the operations of the District and its schools. The Board is also responsible for setting the tax rate, adopting the annual budget along with periodic amendments, setting salary schedules, approving pay increases and serving as a board of appeals in personnel and student matters. The Board receives funding from local, state and federal source entities. This report contains all funds pertaining to the District. Serving without compensation, Board members establish the policies by which schools operate. In carrying out the task of setting policy, the board identifies needs and establishes priorities for the school system, allocates financial and human resources among the priority areas and evaluates school performance. The District's Superintendent of Schools and staff assist the Board with financial and administrative matters and oversee the day-to-day operations of the District.

Budgetary Controls

On an annual basis, the District presents the Board of Trustees with the proposed budgets for the General Operating Fund, the Debt Service Fund, and the Food Service Fund for approval as required by the Texas Education Code and as described in the Texas Education Agency's Financial Accountability Systems Resource Guide. The proposed budget is presented to the Board summarized at the function level for each of the funds above. The Board is required to hold a public hearing on the proposed budget and to adopt a final budget no later than August 31, the close of the District's fiscal year. After adoption of the budget, the appropriation amounts are entered into the District's accounting and encumbrance system and monitoring of the expenditures and encumbrances in relation to the approved budget begins.

Budget managers have the authority to approve budget transfers anytime during the year. A budget transfer is the movement of appropriations between budget line items within the same function. Any request to move appropriations between budget line items to different functions is considered a budget amendment. Any budget amendment requested by budget managers requires Board approval. Expenditure requests will not be processed unless appropriations are available in the line item.

The District feels that the budgetary controls currently in place are adequate to ensure that expenditures remain within the approved budget and that the District complies with regulations established by the Texas Education Code and the Financial Accountability Systems Resource Guide.

The District evaluates the existing system of internal controls annually through self-evaluation and the annual independent financial and compliance audit. Internal controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safeguarding of assets against loss from authorized use or disposition; and 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that: 1) the cost of controls should not exceed benefits expected to be derived; and 2) the evaluation of costs and benefits requires estimates and judgments by management.

Services Provided

The District provides a safe and learning environment that ensures a quality education for grade levels Pre-kindergarten through the 12th grade. Beginning in the 14 elementary schools, four middle schools, one alternative education program and extending through the three high schools which include a nontraditional magnet high school, 3-D Academy; students study the essential elements of language arts, reading, science, mathematics, art, music, physical education and computer literacy. This includes a special education program for students with disabilities, occupational education, bilingual instruction for those with limited English proficiency, and specialized instruction for disadvantaged students.

Enrollment

Donna I.S.D is a Title I District and has a total enrollment of 15,072 students for the 2016-2017 school year. Of these students, 99.65% are Hispanic, 0.23% White, 0.07% African-American, .03% Asian, and .02% are two or more; 93.7% of the students are economically disadvantaged and 48.7% of all students are identified as Limited English Proficient language learners.

The breakdown of our student membership is as follows:

• Early Ed (Sp. Ed)	63
• Pre-K	591
• K-5	6,767
• 6-8	3,390
• 9-12	<u>4,261</u>
TOTAL	15,072

Projected membership for school year 2017-18 is expected to remain at approximately 15,000 students, Average Daily Attendance (ADA) growth is forecasted to remain at less than 1%.

Mission Statement

The mission of the District is to ensure academic excellence for all students through a rigorous and supportive learning environment that provides a quality education in accordance with state and national standards.

District Goals

- I. Donna ISD students will achieve academic success in all facets of their education through relevant, rigorous, and aligned curriculum.
- II. Donna ISD will provide students and all stakeholders with a safe and nurturing school environment that supports academic success.
- III. Donna ISD will follow sound fiscal and managerial practices to provide a highly qualified staff, appropriate resources, technology, and well-maintained facilities to promote increased student achievement.

IV. Donna ISD will collaborate with parents, community members, and staff to promote continuous success for all students through an effective planning and advisory process.

District Vision

We envision being an exemplary school district staffed with highly qualified individuals working collaboratively to graduate college-ready students who will be a powerful force for positive change in our community.

Achievements

The District received a Superior rating on the School FIRST (Financial Integrity Rating System of Texas) financial accountability system for the fiscal year ending August 31, 2016. The rating system was established during the 77th Legislative session. School districts received its first official rating by TEA in August 2003 for the fiscal year 2001-2002.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered within the broader perspective of the specific environment in which the District operates.

Local Economy

Employment and the Labor Force

Donna is considered the "Heart of the Valley" and is a strategically positioned land port that connects Mexico's city of Rio Bravo to FM 493 and Expressway 83. International trade, transportation, retail trade, oil and gas, residential site for "Winter Texans" and tourism continue to play a major role in the Donna area economy. The economic outlook for the city of Donna is positive as new retailers have moved to the city. Walmart Supercenter opened a 180,000 + square retail store in 2015 and construction for additional retail shops began in early 2017. The 2017-2018 school year saw adjusted property value growth of 7%.

Long-term Financial Planning

The District continues to maintain a healthy General Fund Balance. The District has maintained the fund balance to ensure that needed resources are available when required to meet unexpected revenue shortfalls and one-time expenditures that may exceed the annual available resources. The fund balance reflects an increase of \$1.80 million which is attributed to conservative spending.

Growth in the District's tax base has continued, averaging 3.3% annual growth from fiscal years 2010-16. The District's fiscal 2017 taxable assessed valuation (TAV) grew to \$1.236 billion, an increase of 7% over 2016. The estimated property tax value growth for 17-18 school year is 16%.

Debt Service

Debt Service is a major area of cost due to the District's building program which is primarily financed by the sale of general obligation bonds. The Texas Education Code (TEC) authorizes the District to issue negotiable coupon bonds to construct, acquire, or equip school buildings, to purchase necessary sites, or to acquire or refinance property financed under a contract entered into under the Public Property Finance Act.

The District is further authorized to levy and assess annual ad valorem taxes sufficient to pay the principal and interest on the bonds as they become due. The District's primary objective in debt management is to keep the level of indebtedness within available resources and within legal debt limitations.

All bond elections are held in accordance with statutory requirements and bonds are issued and taxes are levied in compliance with Sections 45.001, 45.003(b) (1), and 45.003(e) of the Texas Education Code.

As of August 31, 2017, the District had \$77,255,000 of School Building Unlimited Tax Bonds and Capital Appreciation Bonds, with maturities extending into the year 2040. The District's Debt Service fund balance is \$6,899,298.

In November 2016, Moody assigned A2 underlying and Aaa Enhanced rating to the District. Also in November 2016, Standard & Poor's assigned the District a rating of A+ and views the outlook for this rating as stable.

Fiduciary Operations

The District maintains the fiduciary responsibility of monitoring the individual campus' student activity funds. The District ensures that proper control over cash is maintained and that all procedures are in accordance with TEA's Financial Accountability Systems Resource Guide. As of August 31, 2017, total assets for student activity funds were \$473,399.

Financial Management Awards

Donna ISD has received the highest financial accountability rating of "Superior Achievement" as awarded by the Texas Education Agency for the past eight (8) years. Senate Bill 218 of the 77th Legislature (2001) authorized the implementation of the financial accountability rating system referred to as School FIRST. The primary purpose of the Financial Integrity Rating System of Texas (FIRST) is to ensure school districts will be held accountable for the quality of their financial management practices and to achieve improved performance in the management of their financial resources.

Acknowledgments

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the Finance Department directly under Finance Director, Ms. Sandra Martinez and the dedicated services of other staff members district-wide. The Business & Finance Office would like to thank the following personnel for the time and effort given to the preparation of this report:

Executive Administration

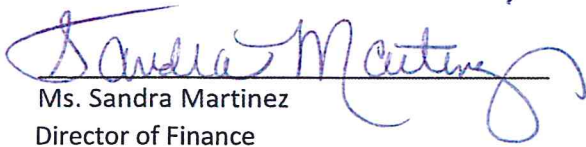
Mr. Fernando Castillo, Superintendent
Mrs. Velma Rangel, Chief Special Programs Officer
Mrs. Belinda Cruz, Chief Academic Officer
Mr. Rashad Rana, Chief Academic Officer
Mrs. Juanita D. Ybarra-Rodriguez, Human Resource Director
Mr. Guadalupe Ibarra, Fine Arts Director
Mr. Daniel Walden, Chief of Police
Mr. Ramiro Leal, Head Coach, Donna High School
Mrs. Sandra Quintanilla, Public Relations Director

Business and Finance


Mr. Gerardo Cavazos, Accounting Supervisor
Mr. Refugio de los Santos, Accounts Payable Supervisor
Mr. Rigoberto Garcia, Accountant
Ms. Maria E. Gonzales, CFO Secretary/Bookkeeper
Mr. Jose L. Marines, Payroll Coordinator
Ms. Sandra Martinez, Director of Finance
Mrs. Olga Noriega, Purchasing Agent
Mrs. Nydia Rodriguez, Accountant

We would also like to thank the District's Board of Trustees, for their time, dedication, and support to the students and staff of Donna ISD. A sincere appreciation is also extended to our independent auditors, Carr, Riggs and Ingram, for their assistance in the preparation of this report.

Respectfully Submitted,



Ms. Sandra Martinez
Director of Finance



Mr. Gerardo Cavazos
Accounting Supervisor

It is the policy of the Donna Independent School District not to discriminate on the basis of race, color, national origin, gender, religion, limited English proficiency, or handicapping condition in its programs.

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DONNA INDEPENDENT SCHOOL DISTRICT

Donna, Texas

PRINCIPAL OFFICIALS, CONSULTANTS & ADVISORS

For the Year Ended August 31, 2017

ELECTED OFFICIALS

Efren Cenicerros, President

Valentin Guerrero, Vice President

Alicia Reyna, Secretary

Eloy Avila, Member

John Billman, Member

Dr. Donna Mery, Member

Eva C. Watts, Member

CONSULTANTS & ADVISORS

Financial Advisors Estrada-Hinojosa & Company, Inc.
..... Dallas and San Antonio, Texas

Bond Counsel The J. Ramirez Law Firm
..... San Juan, Texas

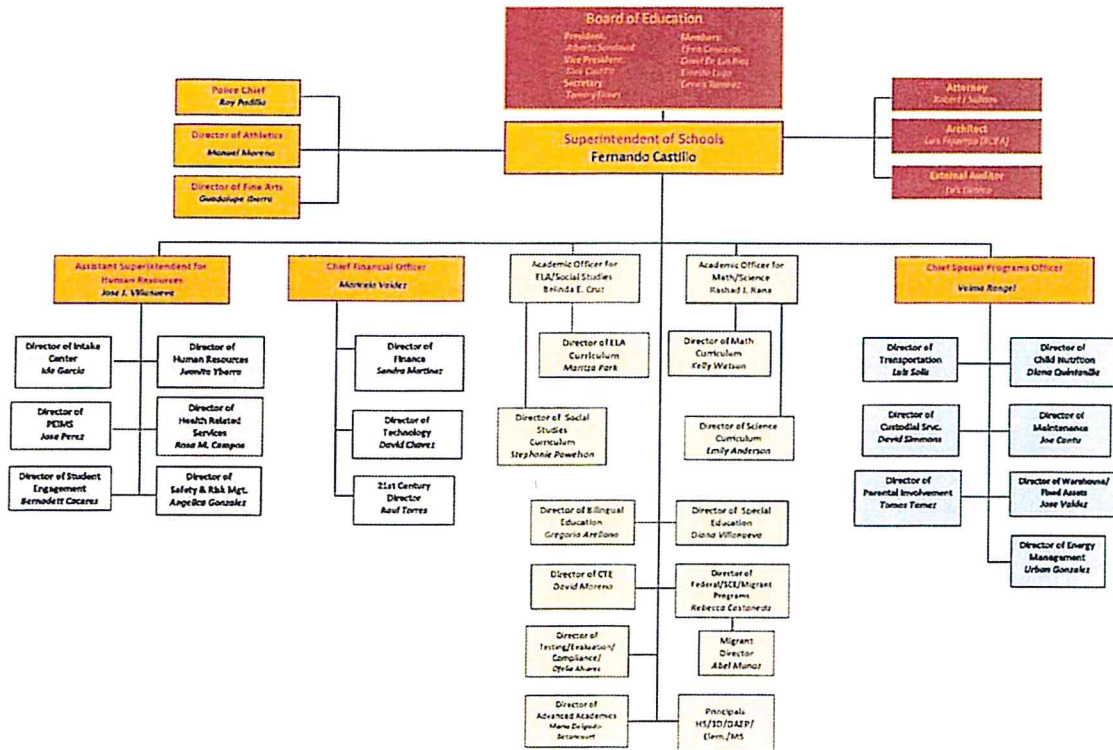
General Counsel Guerra & Farah, PLLC
..... McAllen, TX

Independent Auditors Carr, Riggs & Ingram, LLC
..... McAllen, Texas

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**DONNA INDEPENDENT SCHOOL DISTRICT
ORGANIZATIONAL CHART
2016-2017**

Board Approval:
9-13-2016



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CERTIFICATE OF THE BOARD

DONNA INDEPENDENT SCHOOL DISTRICT,
HIDALGO COUNTY

County Number 108, District Number 902, Region Number 1

We the undersigned, do hereby certify that the attached annual financial report for the above named school district was reviewed and X approved disapproved for the year ended August 31, 2017 at the meeting of the board of trustees of such school district on the 24th day of July 2018, 2018.

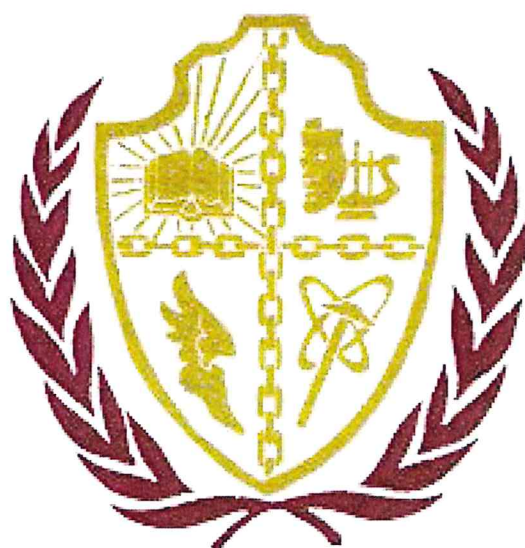


President, Board of Trustees



Secretary, Board of Trustees

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FINANCIAL SECTION

Donna ISD.....

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Donna Independent School District
Donna, Texas

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 Donna Independent School District (the "District") as of and for the year ended August 31, 2017, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Donna Independent School District as of August 31, 2017, 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 21 to the financial statements, the District restated its beginning fund balance and net position as a result of corrections of errors. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 – Teacher Retirement System of Texas and the Schedule of the District Contributions – Teacher Retirement System of Texas and the related notes to the 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 Donna Independent School District's basic financial statements. The introductory section, combining fund financial statements, other supplementary information, and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining fund financial statements, 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, other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections 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.

Prior Period Financial Statements

The financial statements of Donna Independent School District as of and for the year ended August 31, 2016, were audited by other auditors whose report dated January 24, 2017, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2018, 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.

Caru, Riggs & Ingram, L.L.C.

McAllen, Texas
July 24, 2018

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Donna Independent School District

"Be the Change"



Mr. Fernando Castillo, Superintendent

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Donna Independent School District (the "District"), we are providing readers of the District's financial statements this narrative overview and analysis of the District's financial performance for the fiscal year ended August 31, 2017. Please read this discussion in conjunction with the transmittal letter, which can be found at the front of this report, and the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position as reflected in the government-wide Statement of Net Position were \$128,281,387 at August 31, 2017. Of this amount, \$22,573,247 (unrestricted net position) or 18% may be used to meet the District's on going obligations.
- The District's Statement of Activities reflects an increase in net position for Governmental Activities in the amount of \$4,321,080. Net position at the end of year reflects a decrease of \$36,869,409; this is a result of prior period adjustments in the amount of \$41,190,489 for write-off of obsolete capital assets. See note 21 for further explanation on the prior period adjustments.
- The General Fund reported a fund balance in the governmental funds financial statement this year of \$52,308,054. Approximately 91.4% of this total amount, \$47,812,474, is available for spending at the District's discretion (unassigned fund balance).
- As of the close of the fiscal year, the District governmental funds reported combined ending fund balances of \$59,684,991, an increase of \$433,994 in comparison with the prior year.

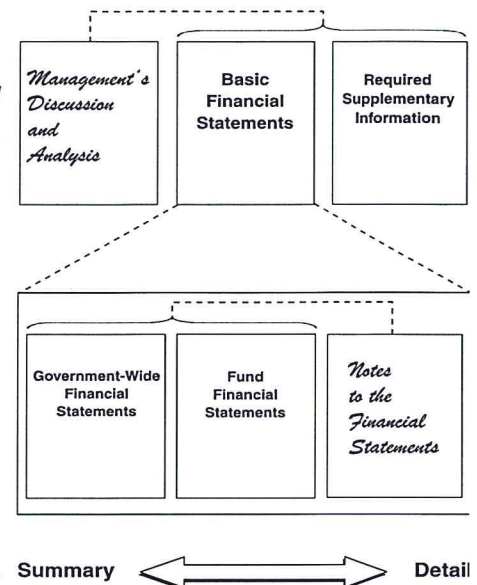
OVERVIEW OF THE FINANCIAL STATEMENTS

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*, such as food service.
- *Fiduciary fund* statements provide information about the financial relationships in which the District's acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's 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-2. Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	• Statement of net assets	• Balance sheet	• Statement of net assets	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, curriculum and staff development, school district administrative support services and general administration. Grants and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain grants and local sources.

The District's funds are divided into four (4) categories as follows:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- *Internal service funds* are used to report revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District's other fiduciary funds are agency funds used to account for resources held for the benefit of students. The agency funds are the student activity funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to 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 budget to actual presentations for the General Fund in accordance with State Board of Education rules. In addition, budget to actual presentations for the Food Service Fund and the Debt Service Fund are included in the TEA Required Schedules section.

The combining statements referred to earlier in connection with Nonmajor governmental funds are presented immediately following the Required Supplementary Information.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position may serve over time as a useful indicator of a government's financial position. The District's combined net position were \$128,281,387 at August 31, 2017 (See Table A-1); of which, unrestricted net position (those net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) equaled \$22,573,247 or about 17.6% of net position. The government-wide decrease in net position was \$36,869,409 attributed to adjustments made to write-off the book value of capital assets that became obsolete.

TABLE A-1

DONNA INDEPENDENT SCHOOL DISTRICT GOVERNMENTAL ACTIVITIES NET POSITION

	FY 2017	FY 2016	Change
Current Assets and Other Assets	\$ 75,508,860	\$ 66,683,796	13.2%
Capital Assets	179,714,014	229,862,625	-21.8%
Total Assets	255,222,874	296,546,421	-13.9%
Deferred Charge for Refunding	438,029	259,507	68.8%
Deferred Outflow Related to TRS	13,665,056	15,755,407	-13.3%
Total Deferred Outflows of Resources	14,103,085	16,014,914	100.0%
Current Liabilities	11,831,977	10,608,038	11.5%
Long-Term Liabilities	126,774,374	134,108,080	-5.5%
Total Liabilities	138,606,351	144,716,118	11.4%
Deferred Inflows of Resources			
Deferred Inflow Related to TRS	2,438,221	2,694,420	-9.5%
Total Deferred Inflows of Resources	2,438,221	2,694,420	100.0%
Net Position:			
Net Investment in Capital Assets	94,224,776	127,444,937	-26.1%
Restricted for Federal and State Programs	4,450,207	1,880,301	136.7%
Restricted for Debt Service	7,033,157	8,371,761	-16.0%
Unrestricted	22,573,247	27,453,797	-17.8%
Total Net Position	\$ 128,281,387	\$ 165,150,796	-22.3%

Approximately 91.6% of the District's largest liability is for the repayment of general obligation bonds. Other liabilities, representing about 8.4% of the District's total liabilities, consist primarily of payables on accounts and salaries.

The largest portion of the District's net position 73.4% reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (generally property taxes and state aid), since the capital assets themselves cannot be used to liquidate these liabilities.

The smallest portion of the District's net position 10.5% represents resources that are subject to external restrictions on how they may be used. Restricted net position increased by \$1,231,302 during the year ended August 31, 2017. This increase resulted primarily due to the reclassification of State Aid funds from unrestricted to restricted. The remaining balance of unrestricted net position, \$22,573,247, may be used to meet the District's ongoing obligations to students, employees, and creditors and to honor next year's budget.

The District's current assets of \$75,508,860 were sufficient to cover current liabilities of \$11,831,977. This represents a current ratio of \$6.38, which means that for every dollar the District owes there is \$6.38 available in current assets.

Governmental Activities

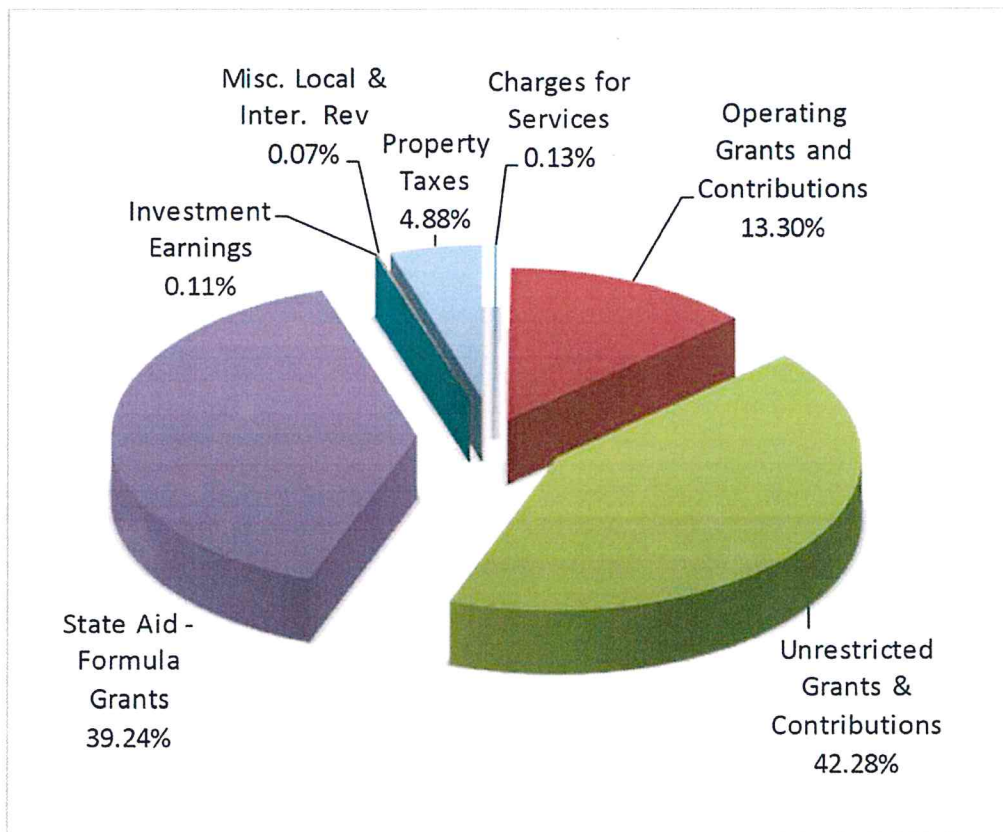
Governmental activities decreased the District's total net position by \$36,869,409 accounting for a 22.3 % decrease in net position for the District. The primary underlying reason for the decrease in net position is the write-off obsolete capital assets.

T A B L E A - 2
DONNA INDEPENDENT SCHOOL DISTRICT
GOVERNMENTAL ACTIVITIES
CHANGES IN NET POSITION

Program Revenues:	FY 2017	FY 2016
Charges for Services	\$ 404,397	\$ 771,704
Operating Grants and Contributions	41,273,927	48,446,740
General Revenues:		
State Aid- Formula Grants	121,757,504	121,682,893
Unrestricted Grants & Contributions	9,433,632	8,238,432
Investment Earnings	356,753	194,183
Misc. Local & Inter. Rev	205,855	874,304
Property Taxes	15,130,709	14,128,427
Total Program and General Revenues	188,562,777	194,336,683
Expenses		
Instruction	100,279,869	106,880,247
Instructional Resources and Media Services	2,692,165	2,572,520
Curriculum Dev. And Instructional Staff Dev.	3,366,957	2,998,637
Instructional Leadership	3,206,101	3,001,216
School Leadership	7,775,839	7,744,313
Guidance, Counseling and	6,389,294	6,617,835
Social Work Services	1,100,464	1,228,680
Health Services	2,539,540	2,517,433
Student (Pupil) Transportation	6,306,057	6,074,153
Food Services	12,503,742	12,596,022
Curricular/Extracurricular Activities	6,841,449	6,198,459
General Administration	6,116,071	6,639,663
Facilities Maintenance & Oper.	15,666,704	16,446,936
Security & Monitoring Svcs.	3,096,049	3,144,522
Data Processing Services	3,172,912	2,620,196
Community Services	1,430,301	1,459,340
Debt Service - Interest on Long Term Debt	1,561,959	2,670,917
Debt Service - Bond Issuance Cost and Fees	186,248	207,993
Payments to Juvenile Justice Alternative Ed Prg.	9,976	15,737
Total Expenses	184,241,697	191,634,819
Increase (Decrease) in Net Position	4,321,080	2,701,864
Net Position at Beginning of Year	165,150,796	154,303,404
Prior Period Adjustment	(41,190,489)	8,145,528
Net Position at Beginning of Year, as Restated	123,960,307	162,448,932
Net Position Ending	\$ 128,281,387	\$ 165,150,796

The following chart highlights the District's revenues by funding source for the governmental activities. As depicted in the chart, Grants and Contributions not Restricted, which consists primarily of State Aid, comprises 69.57% of the total.

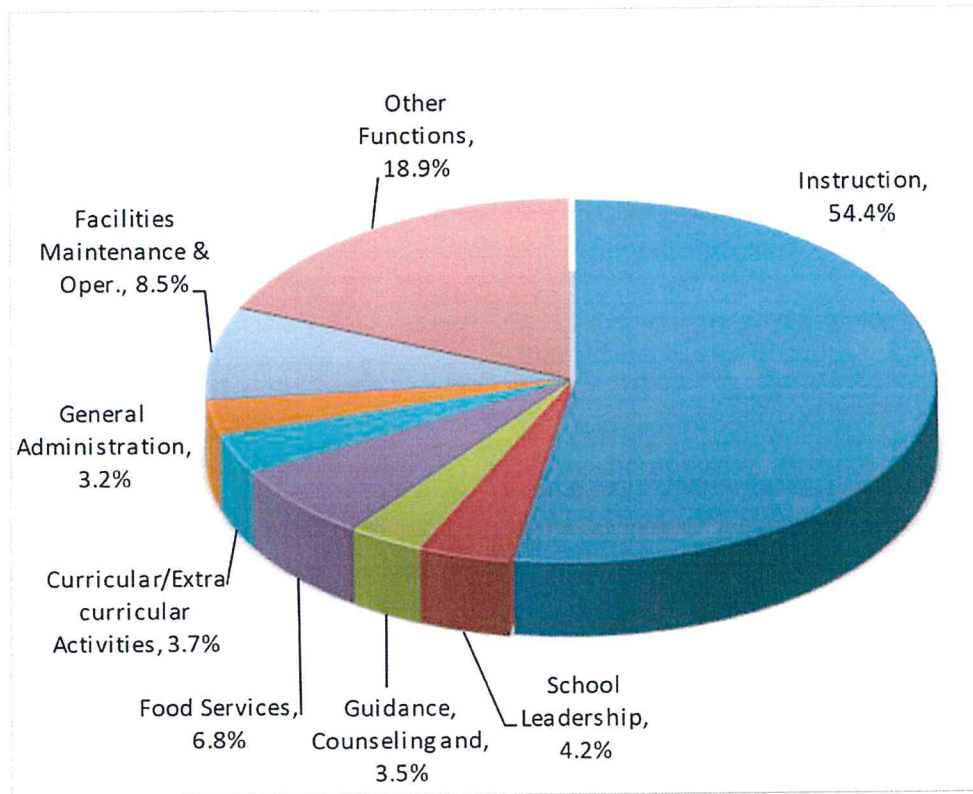
Figure A-3 District's Total Revenues



Total revenues were \$188,562,777. Revenues for the District's governmental activities decreased \$5,773,905 or 2.9% compared to prior year. The decrease was primarily due to a decrease in Program Revenues.

The next chart presents the cost of each of the District's largest functions. Of the total expenses, instructional services represent the largest dollar expense \$100,279,869 or 54.4% followed by facilities maintenance & operations at \$15,666,704 or 8.5%.

Figure A-4 District's Functional Expenses



Total expenses were \$184,241,697. Total expenses decreased by \$7,393,122 or 3.8%, the decrease in expenses is primarily attributed to savings in the facilities maintenance and operations area due to lower utility cost and contracted services and staffing expenses.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$59,684,991 an increase of \$433,994 in comparison with the prior year. Approximately 80.1% or \$47,812,474 of this total amount constitutes unassigned fund balance, which is available for spending at the district's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been

assigned: 1) Federal or State Funds Grant Restriction \$4,450,208, 2) for Retirement of Long Term Debt \$6,899,299.

General Fund. The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General fund was \$47,812,474, while total fund balance reached \$52,308,054. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30.8% of total general fund expenditures, while total fund balance represents 33.7% of total general fund expenditures.

The District's unassigned fund balance is the equivalent of 112.40 days of expenditures. This fund balance is adequate to minimize the likelihood of the District entering the short-term debt market to pay for current operating expenditures. The District will be using the increase in the fund balance to maintain the monthly minimum expenditures required by the Texas Education Agency.

Debt Service Fund. The Debt Service Fund ended with a total combined fund balance of \$6,899,299.

District's Analysis of Debt Service Fund

Debt Service Fund (599)			
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues			
Property Taxes	\$ 1,149,907	\$ 1,093,636	5.1%
State Program Revenues	6,156,533	6,419,730	-4.1%
Total Revenues	<u>7,306,440</u>	<u>7,513,366</u>	<u>-2.8%</u>
Expenditures by Function			
Principal Long Term Debt	5,814,998	5,510,000	6%
Interest on Long Term Debt	2,943,637	3,267,765	-10%
Other Fees	186,248	10,500	1674%
Total Expenditures	<u>8,944,883</u>	<u>8,788,265</u>	<u>2%</u>
Other Financing Sources/(Uses)	<u>177,237</u>	<u>500,000</u>	<u>-65%</u>
	177,237	500,000	-65%
Net Change in Fund Balance	(1,461,206)	(774,899)	89%
Fund Balance, Beginning	<u>8,371,761</u>	<u>1,013,273</u>	<u>726%</u>
Prior Period Adjustment	<u>(11,256)</u>	<u>8,133,387</u>	<u>-100%</u>
Fund Balance, Ending	<u>\$ 6,899,299</u>	<u>\$ 8,371,761</u>	<u>-18%</u>

Child Nutrition Fund. The Child Nutrition Fund as part of the General Fund has a total fund balance of \$3,972,570. The net increase in fund balance during the year was \$1,218,669, which is primarily attributed to an adjustment made to reflect the change in methodology for computing indirect cost.

District's Analysis of Child Nutrition Fund

	Child Nutrition Fund (101)		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues			
Local Sources	\$ 241,804	\$ 228,563	5.8%
State Program Revenues	77,537	76,750	1.0%
Federal Program Revenues	12,357,442	11,751,904	5.2%
Total Revenues	<u>12,676,783</u>	<u>12,057,217</u>	<u>5.1%</u>
Expenditures by Function			
Food Service	<u>11,441,532</u>	<u>11,816,416</u>	<u>-3.2%</u>
Total Expenditures	<u>11,441,532</u>	<u>11,816,416</u>	<u>-3.2%</u>
Net Change in Fund Balance	1,235,251	240,724	413.1%
Fund Balance, Beginning	<u>2,753,801</u>	<u>2,513,177</u>	<u>9.6%</u>
Fund Balance, Ending	<u>\$ 3,989,052</u>	<u>\$ 2,753,901</u>	<u>44.9%</u>

Business-Type Activities

The District did not have any business type of activities.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$188,562,777 a decrease of 2.9% over the preceding year. The decrease is a result of decreased Operating Grants and Contributions.

General Fund Budgetary Highlights

The FY 2017 budget was developed by balancing the challenge of student/staff ratios while maintaining the same property tax rate. The most significant fund for the District is the General Fund, funded primarily through state aid and property tax revenue. Over the course of the year, the District revised its budget several times.

The general fund budget was amended fifteen (15) times. The original appropriation was increased by \$6,444,030 as of the final amended budget. This increase was due to:

- An increase to support an operating transfer to Health Insurance Fund in the amount of \$3,703,731.
- To align instructional budgets in the amount of \$2,740,299 which includes salaries and related costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Capital Projects Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students in the District. At the end of 2017, the District had invested \$179,714,014 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-3.) This amount represents a decrease of \$42,961,238 or 19.3% compared to last year. For readers interested in more detailed information please refer to the notes to the financials.

TABLE A-3

DONNA INDEPENDENT SCHOOL DISTRICT GOVERNMENTAL ACTIVITIES SCHEDULE OF CAPITAL ASSETS

Capital Assets	FYE 2017	FYE 2016	Change
Land	\$ 7,078,411	\$ 12,017,942	-41.1%
Buildings and Improvements	230,118,412	228,172,964	0.9%
Furniture & Equipment	32,978,007	27,672,047	19.2%
Capital Leases	2,635,014	22,756,617	-88.4%
Totals at Historical Cost	272,809,844	290,619,570	-6.1%
Less Accumulated Depreciation	(93,095,830)	(67,944,318)	37.0%
Net Capital Assets	<u>\$ 179,714,014</u>	<u>\$ 222,675,252</u>	<u>-19.3%</u>

LONG TERM DEBT

At year-end, the District has \$89,971,958 in bonds, notes, accreted interest, capital leases and compensated absences outstanding as shown in Table A-4. More detailed information about the District's debt is presented in the notes to the financial statements.

TABLE A-4

**DONNA INDEPENDENT SCHOOL DISTRICT
GOVERNMENTAL ACTIVITIES
SCHEDULE OF LONG-TERM DEBT**

Governmental Activities:	FYE 2017	FYE 2016	Change
Bonds Payable	\$ 77,265,000	\$ 83,710,000	-7.7%
Unamortized Bond Premium	3,355,121	1,990,728	68.5%
Note Payable	7,354,761	8,066,551	-8.8%
Accreted Interest	396,276	1,722,558	-77.0%
Capital Lease Payable	1,317,507	2,415,762	-45.5%
Compensated Absences	297,378	262,619	13.2%
Totals	<u>\$ 89,986,043</u>	<u>\$ 98,168,218</u>	<u>-8.3%</u>

Bond Ratings: The District's bonds carry "AAA" rating with underlying ratings as follows: Moody's Investor Services "A2" and Standard & Poor's "A/Stable".

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

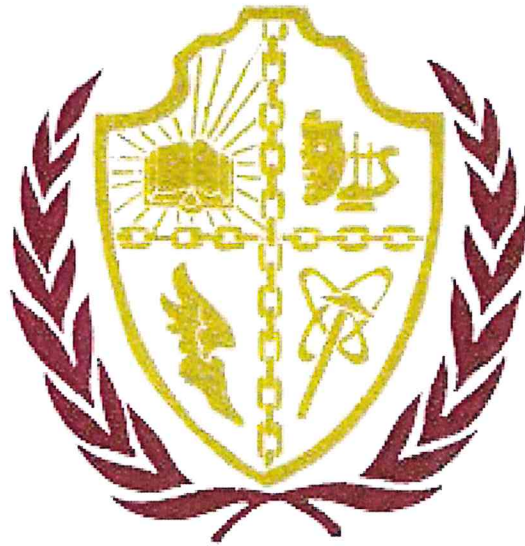
The District's board members considered many factors when setting the fiscal year 2017-18 budget and tax rates. Some of these factors were the district needs, the campus needs, appraised values, and the Donna economy. The following factors are highlights of the budget:

- The Average Daily Attendance (ADA) is projected to remain the same in fiscal year 2017-2018. The District's 2017-18 ADA is projected to be 15,072, which reflects a 0% increase.
- Any increases in revenue will be attributed to the changes in the ADA.
- The total budgeted tax rate is \$1.2582 which is composed of \$1.17 compressed rate for maintenance and operations and \$.0882 for the payment of principal and interest on bonds.
- The taxable value amount of \$1,429,157,741 was used for the 2017-2018 budget preparation an increase of 13.4% over the previous year's \$1,236,680,522.

These indicators were taken into account when adopting the general fund budget for 2018. Amounts available for appropriation in the general fund budget for 2018 are \$170,699,835, an increase of 3.1% compared to the 2017 final budget of \$165,552,549.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT DEPARTMENT

This comprehensive financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Ms. Sandra Martinez, Finance Director, Business & Finance Office, Donna I.S.D., 116 North 10th Street, Donna, Texas 78537 or by calling (956) 464-1620.



BASIC FINANCIAL STATEMENTS

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DONNA ISD
STATEMENT OF NET POSITION
AUGUST 31, 2017

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 13,424,049
1120 Current Investments	44,942,995
1210 Property Taxes - Current	2,913,944
1240 Due from Other Governments	13,607,569
1250 Accrued Interest	12,936
1267 Due from Fiduciary Funds	3,707
1290 Other Receivables, net	13,767
1300 Inventories	589,893
Capital Assets:	
1510 Land	7,078,411
1520 Buildings, Net	164,662,190
1530 Furniture and Equipment, Net	6,436,322
1550 Leased Property Under Capital Leases, Net	1,537,091
1000 Total Assets	255,222,874
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	438,029
1705 Deferred Outflow Related to TRS	13,665,056
1700 Total Deferred Outflows of Resources	14,103,085
LIABILITIES	
2110 Accounts Payable	3,140,297
2140 Interest Payable	276,213
2150 Payroll Deductions & Withholdings	66,337
2160 Accrued Wages Payable	4,860,350
2177 Due to Fiduciary Funds	87
2180 Due to Other Governments	1,062,544
2200 Accrued Expenses	1,974,137
2300 Unearned Revenue	452,012
Noncurrent Liabilities	
2501 Due Within One Year	7,031,538
2502 Due in More Than One Year	82,954,505
2540 Net Pension Liability (District's Share)	36,788,331
2000 Total Liabilities	138,606,351
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	2,438,221
2600 Total Deferred Inflows of Resources	2,438,221
NET POSITION	
3200 Net Investment in Capital Assets	94,224,776
3820 Restricted for Federal and State Programs	4,450,207
3850 Restricted for Debt Service	7,033,157
3900 Unrestricted	22,573,247
3000 Total Net Position	\$ 128,281,387

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

DONNA ISD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	6
		Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
	Expenses			
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 100,279,869	\$ 7,750	\$ 18,252,115	\$ (82,020,004)
12 Instructional Resources and Media Services	2,692,165	-	883,772	(1,808,393)
13 Curriculum and Staff Development	3,366,957	-	954,103	(2,412,854)
21 Instructional Leadership	3,206,101	-	1,462,089	(1,744,012)
23 School Leadership	7,775,839	-	485,378	(7,290,461)
31 Guidance, Counseling and Evaluation Services	6,389,294	-	839,574	(5,549,720)
32 Social Work Services	1,100,464	-	192,021	(908,443)
33 Health Services	2,539,540	-	839,742	(1,699,798)
34 Student (Pupil) Transportation	6,306,057	-	242,058	(6,063,999)
35 Food Services	12,503,742	241,464	12,659,255	396,977
36 Extracurricular Activities	6,841,449	155,183	85,272	(6,600,994)
41 General Administration	6,116,071	-	1,555,836	(4,560,235)
51 Facilities Maintenance and Operations	15,666,704	-	521,446	(15,145,258)
52 Security and Monitoring Services	3,096,049	-	98,929	(2,997,120)
53 Data Processing Services	3,172,912	-	1,079,415	(2,093,497)
61 Community Services	1,430,301	-	1,122,922	(307,379)
72 Debt Service - Interest on Long Term Debt	1,561,959	-	-	(1,561,959)
73 Debt Service - Bond Issuance Cost and Fees	186,248	-	-	(186,248)
95 Payments to Juvenile Justice Alternative Ed. Prg.	9,976	-	-	(9,976)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 184,241,697	\$ 404,397	\$ 41,273,927	(142,563,373)
General Revenues:				
Taxes:				
MT Property Taxes, Levied for General Purposes				14,060,899
DT Property Taxes, Levied for Debt Service				1,069,810
SF State Aid - Formula Grants				121,757,504
GC Grants and Contributions not Restricted				9,433,632
IE Investment Earnings				356,753
MI Miscellaneous Local and Intermediate Revenue				205,855
TR Total General Revenues				146,884,453
CN Change in Net Position				4,321,080
NB Net Position - Beginning				165,150,796
PA Prior Period Adjustment				(41,190,489)
NE Net Position--Ending				\$ 128,281,387

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

DONNA ISD
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 11,240,398	\$ 11,818	\$ 956,168	\$ 12,208,384
1120 Investments	42,926,955	1,598,602	-	44,525,557
1210 Property Taxes - Net	2,487,242	426,702	-	2,913,944
1240 Receivables from Other Governments	10,193,982	3,920	3,409,667	13,607,569
1250 Accrued Interest	12,936	-	-	12,936
1260 Due from Other Funds	3,555,000	5,437,297	-	8,992,297
1290 Other Receivables	13,767	-	-	13,767
1300 Inventories	589,893	-	-	589,893
1000 Total Assets	<u>\$ 71,020,173</u>	<u>\$ 7,478,339</u>	<u>\$ 4,365,835</u>	<u>\$ 82,864,347</u>
LIABILITIES				
2110 Accounts Payable	\$ 1,926,181	\$ 5,001	\$ 32,310	\$ 1,963,492
2150 Payroll Deductions and Withholdings Payable	66,337	-	-	66,337
2160 Accrued Wages Payable	4,261,647	-	598,703	4,860,350
2170 Due to Other Funds	7,139,373	1,458	2,770,810	9,911,641
2180 Due to Other Governments	865,673	162,509	34,362	1,062,544
2300 Unearned Revenues	-	-	452,012	452,012
2000 Total Liabilities	<u>14,259,211</u>	<u>168,968</u>	<u>3,888,197</u>	<u>18,316,376</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Deferred Inflows of Resources	4,452,908	410,072	-	4,862,980
2600 Total Deferred Inflows of Resources	<u>4,452,908</u>	<u>410,072</u>	<u>-</u>	<u>4,862,980</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	523,010	-	-	523,010
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	3,972,570	-	477,638	4,450,208
3480 Retirement of Long-Term Debt	-	6,899,299	-	6,899,299
3600 Unassigned Fund Balance	47,812,474	-	-	47,812,474
3000 Total Fund Balances	<u>52,308,054</u>	<u>6,899,299</u>	<u>477,638</u>	<u>59,684,991</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 71,020,173</u>	<u>\$ 7,478,339</u>	<u>\$ 4,365,835</u>	<u>\$ 82,864,347</u>

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

DONNA ISD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2017

Total Fund Balances - Governmental Funds	\$ 59,684,991
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 decrease net position.	(594,875)
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 \$268,283,411 and the accumulated depreciation was (\$85,089,482). In addition, long-term liabilities, including bonds payable, capital leases payable, notes payable, compensated absences, and debt interest 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 increase net position. Note: Beginning Balances related to TRS are NOT included in this amount.	84,604,479
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 2017 capital outlays and debt principal payments is to increase net position.	13,495,338
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$36,788,331, a deferred resource inflow related to TRS in the amount of \$2,438,221, and deferred resource outflow related to TRS in the amount of \$13,665,056. This results in a decrease in net position by \$25,561,496.	(25,561,496)
5 The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(8,210,030)
6 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.	4,862,980
19 Net Position of Governmental Activities	\$ 128,281,387

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

DONNA ISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT C-3

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 15,818,624	\$ 1,149,907	\$ -	\$ 16,968,531
5800 State Program Revenues	128,457,666	6,156,533	800,855	135,415,054
5900 Federal Program Revenues	17,235,393	-	17,956,769	35,192,162
5020 Total Revenues	161,511,683	7,306,440	18,757,624	187,575,747
EXPENDITURES:				
Current:				
0011 Instruction	78,415,192	-	13,506,883	91,922,075
0012 Instructional Resources and Media Services	1,731,987	-	720,926	2,452,913
0013 Curriculum and Instructional Staff Development	2,407,207	-	871,880	3,279,087
0021 Instructional Leadership	2,109,867	-	936,490	3,046,357
0023 School Leadership	7,243,074	-	232,577	7,475,651
0031 Guidance, Counseling and Evaluation Services	5,581,284	-	535,544	6,116,828
0032 Social Work Services	896,918	-	147,185	1,044,103
0033 Health Services	1,676,333	-	717,280	2,393,613
0034 Student (Pupil) Transportation	5,480,796	-	-	5,480,796
0035 Food Services	11,623,376	-	-	11,623,376
0036 Extracurricular Activities	6,400,428	-	-	6,400,428
0041 General Administration	5,920,504	-	-	5,920,504
0051 Facilities Maintenance and Operations	15,552,937	-	7,453	15,560,390
0052 Security and Monitoring Services	2,891,624	-	110	2,891,734
0053 Data Processing Services	2,596,820	-	-	2,596,820
0061 Community Services	267,040	-	1,033,313	1,300,353
Debt Service:				
0071 Principal on Long Term Debt	1,552,949	5,814,998	-	7,367,947
0072 Interest on Long Term Debt	227,595	2,943,637	-	3,171,232
0073 Bond Issuance Cost and Fees	-	186,248	-	186,248
Capital Outlay:				
0081 Facilities Acquisition and Construction	2,682,997	-	-	2,682,997
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	9,976	-	-	9,976
6030 Total Expenditures	155,268,904	8,944,883	18,709,641	182,923,428
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	6,242,779	(1,638,443)	47,983	4,652,319
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	7,595,000	-	7,595,000
7912 Sale of Real and Personal Property	13,036	-	-	13,036
7916 Premium or Discount on Issuance of Bonds	-	795,374	-	795,374
8911 Transfers Out (Use)	(3,703,731)	-	-	(3,703,731)
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(8,213,137)	-	(8,213,137)
7080 Total Other Financing Sources (Uses)	(3,690,695)	177,237	-	(3,513,458)
1200 Net Change in Fund Balances	2,552,084	(1,461,206)	47,983	1,138,861
0100 Fund Balance - September 1 (Beginning)	50,449,580	8,371,761	429,655	59,250,996
1300 Prior Period Adjustment(s)	(693,610)	(11,256)	-	(704,866)
3000 Fund Balance - August 31 (Ending)	\$ 52,308,054	\$ 6,899,299	\$ 477,638	\$ 59,684,991

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

DONNA ISD
 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, 2017

Total Net Change in Fund Balances - Governmental Funds	\$ 1,138,861
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.	493,647
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 2017 capital outlays and debt principal payments is an increase net position.	13,495,338
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.	(8,210,030)
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.	(176,734)
Current year changes due to GASB 68 increased revenues in the amount of \$1,148,063 but also increased expenditures in the amount of \$3,568,065. The net effect on the change in the ending net position was a decrease in the amount of \$2,420,002.	(2,420,002)
Change in Net Position of Governmental Activities	\$ 4,321,080

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

DONNA ISD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2017

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,215,665
Investments - Current	417,438
Due from Other Funds	<u>1,701,989</u>
Total Assets	<u>3,335,092</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	1,176,806
Due to Other Funds	779,024
Accrued Expenses	<u>1,974,137</u>
Total Liabilities	<u>3,929,967</u>
NET POSITION	
Unrestricted Net Position	<u>(594,875)</u>
Total Net Position	<u><u>\$ (594,875)</u></u>

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

DONNA ISD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 18,893,011
Total Operating Revenues	<u>18,893,011</u>
OPERATING EXPENSES:	
Professional and Contracted Services	1,078,439
Other Operating Costs	<u>21,027,321</u>
Total Operating Expenses	<u>22,105,760</u>
Operating Income (Loss)	<u>(3,212,749)</u>
NONOPERATING REVENUES (EXPENSES):	
Transfer In	3,703,731
Earnings from Temporary Deposits & Investments	<u>2,665</u>
Total Nonoperating Revenues (Expenses)	<u>3,706,396</u>
Change in Net Position	493,647
Total Net Position - September 1 (Beginning)	611,472
Prior Period Adjustment	<u>(1,699,994)</u>
Total Net Position - August 31 (Ending)	<u><u>\$ (594,875)</u></u>

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

DONNA ISD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 31,125
Interfund Services Provided and Used	19,180,666
Cash Payments for Other Suppliers	(251,290)
Cash Payments for Claims	(22,305,466)
Net Cash Used for Operating Activities	(3,344,965)
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Transfers From (to) Primary Government	3,703,731
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	(417,438)
Interest and Dividends on Investments	2,665
Net Cash Provided by (Used for) Investing Activities	(414,773)
Net Decrease in Cash and Cash Equivalents	(56,007)
Cash and Cash Equivalents at Beginning of Year	1,271,672
Cash and Cash Equivalents at End of Year	\$ 1,215,665
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (3,212,749)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	(725,140)
Increase (decrease) in Interfund Payables	318,782
Increase (decrease) in Accrued Expenses	274,142
Net Cash Used for Operating Activities	\$ (3,344,965)

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

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DONNA ISD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2017

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 51,647	\$ 542,967
Due from Other Funds	-	87
Other Receivables	-	1,315
Total Assets	<u>51,647</u>	<u>\$ 544,369</u>
LIABILITIES		
Accounts Payable	500	\$ 7,836
Due to Other Funds	3,479	230
Due to Other Governments	-	2,186
Due to Student Groups	43,899	534,117
Total Liabilities	<u>47,878</u>	<u>\$ 544,369</u>
NET POSITION		
Restricted for Scholarships	2,769	
Restricted for Other Purposes	1,000	
Total Net Position	<u>\$ 3,769</u>	

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

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**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Trustees, a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the Donna Independent School District (the District). The public elects the members of the Board of Trustees. The Trustees, as a corporate body, have 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 of the Texas Education Agency (TEA) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgement for the lawful exercise of those powers and duties by the Trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. There are no component units included within the reporting entity. The financial statements of the District include all activist for which the Board exercise these governance responsibilities.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

B. New Accounting Standards

Donna Independent School District's basic financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (the Resource Guide). The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

New Accounting Standards Adopted

In fiscal year 2017, GASB Statement No. 82, Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73, was implemented. The following are applicable accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 87, *Leases*

Statement No. 75 replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. New Accounting Standards (Continued)

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

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

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-Wide and Fund Financial Statements (Continued)

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

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements, as well as the proprietary and fiduciary fund financial statements, are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes and penalties and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The District reports the following major governmental funds:

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

The Debt Service Fund, a governmental fund type, accounts for financial resources that are restricted, committed or assigned for principal and interest on long-term debt of governmental activities.

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Additionally, the District reports the following non-major funds:

The Special Revenue Funds, a governmental fund type, account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District accounts for each federal and state grant in a separate special revenue fund. The special revenue funds include 1) ESEA Title X, Pt. C Homeless, 2) ESEA I, A Improving Basic Program, 3) ESEA Title I Part C Migrant, 4) IDEA – Part B Formula, 5) IDEA – Part B Preschool, 6) Career and Technical Basic Grant, 7) ESEA II, A Training and Recruiting, 8) Title III, A English Language Acquisition, 9) Title VI, B Community Learning, 10) Medicaid Admin Claim MAC, 11) GEAR UP, 12) Title I, SIP Academy Grant, 13) Other Federal Special Revenue Funds, 14) Visually Impaired SSVI, 15) State Textbook, 16) Other State Special Revenue, 17) IMA T extbook Fund.

The District reports the following proprietary funds:

Internal service funds account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. The District's internal service funds include 1) Print Shop, 2) Health Insurance, 3) Computer Operations, and 4) Workers Compensation.

The District reports the following fiduciary funds:

Agency Funds, a fiduciary fund type, account for resources held for others in a custodial capacity. The District's agency funds include 1) Private Purpose Trust fund, which accounts for donations that state the principal cannot be not be expended, but the interest income may be used for a specific purpose and 2) Investment Trust fund, which accounts for assets held by the District in trust for other entities participating in an investment program managed by the District. The District has one such fund which accounts for the Rosita Alcorn Scholarship activity (Exhibit E-1).

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations.

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The principal operating revenues of the worker's compensation fund and the health insurance fund are District contributions. Operating expenses include claims expense and administrative expense. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Because the principal users of the internal service activities are the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. Only the net profit or loss before investment income is allocated to the operating programs benefited.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources, as they are needed.

E. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/ Equity

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are recorded at amortized cost. All other investments are recorded at fair value based upon current market conditions. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans).

Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/ Equity (Continued)

Capital assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the statement of net position. The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Property, plant and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Depreciable Lives of Assets	Years
Buildings	50
Building Improvements	20
Vehicles	5
Office and Computer Equipment	5

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/ Equity (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred Outflows of Resources

In the government-wide financial statements, insurance costs arising from the issuance of debt are reported as deferred outflows and amortized over the term of the related debt. Deferred amounts from a refunding of debt (debits) are reported as deferred outflows of resources and are amortized over the lesser life of the refunded bonds or refunding debt.

Deferred outflows of resources for pension are reported in the government-wide financial statement of net position. Deferred outflows result from pension plan contributions made after the measurement date of the net pension liability. Deferred outflows also include the District's proportionate share of the deferred outflows of resources of the TRS plan. These deferred outflows include the differences between expected and actual economic experience and changes in actuarial assumptions. The deferred outflows of resources related to the District's contributions which are subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently between 5.00 and 6.94 years.

Deferred Inflows of Resources

Grant amounts received in advance of meeting timing requirements and advances of revenue from imposed nonexchange transactions such as property taxes or transactions recorded as a receivable prior to the period when resources are required to be used or are available, are reported as deferred inflows of resources at the fund level and are recognized as revenues at the government-wide level. Deferred amounts from refunding debt (credits) are reported as deferred inflows of resources and are amortized over the lesser life of the refunded bonds or refunding debt.

Deferred inflows of resources for pension - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized between 6.90 and 6.94 years.

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/ Equity (Continued)

Use of Other Assets and Liabilities—Prepayments are reported as assets. Grant amounts received in advance of meeting requirements other than timing and receipts of prepayments continue to be reported as liability.

Fund Balance

The District classifies governmental fund balance in accordance with Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions:

Nonspendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. At August 31, 2017, the District had \$523,010 nonspendable fund balance for inventory.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance restricted for the retirement of funded indebtedness totaled \$6,899,299 as of August 31, 2017. As of August 31, 2017, \$6,463,219 was restricted for federal or state funds grant restriction.

Committed fund balance is established and modified by a resolution from the District's Board, the District's highest level of decision-making authority, and can be used only for the specific purposes determined by the Board's resolution. At August 31, 2017, the District had no committed fund balance.

Assigned fund balance is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. The Board has delegated the authority to assign fund balance to the Superintendent. The assigned amounts can only be assigned or removed by written approval of the Superintendent.

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/ Equity (Continued)

Government-wide Net Position

Net position represents the difference between assets and liabilities. The District's net position is composed of the following:

Net Investment in Capital Assets: The component of net position that represents capital assets less capital debt.

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

Restricted for Debt Service: The component of net position that reports the restricted assets set aside in a sinking fund, net of accrued interest, that have constraints placed on their use by the debt covenant.

Unrestricted: The difference between the assets and liabilities that are not reported in net position invested in capital assets, restricted for debt service, restricted for state and federal programs, restricted for campus activities.

F. Other Policies

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 expenses, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net pension. 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.

Compensated Absences

All employees shall earn five workdays of paid local leave per school year in accordance with administrative regulations. Local leave shall accumulate without limit. Local leave shall be used according to the terms and conditions of state sick leave accumulated before the 1995-96 school year, except that an employee may donate local leave to a sick leave pool. Employees shall be reimbursed for all or part of their local sick days at the rate of \$20 per day. This payment shall be included with the June payroll check and must be requested by the last day of school.

As of August 31, 2017, the District had a total of \$297,378 in compensated absences.

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Other Policies (Continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Property Taxes

In the fund financial statements, property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by January 31 of the year following the October 1 levy date. The assessed value of the property tax roll (net of exemptions) on January 1, 2016, upon which the levy for the August 31, 2017, fiscal year was based, was \$1,236,680,522. Taxes are delinquent if not paid by February 1. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

Current tax collections for the year ended August 31, 2017 were 90% of the year-end adjusted tax levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of August 31, 2017, property taxes receivable, net of estimated uncollectible taxes, totaled \$4,306,249.

The tax rate to finance general governmental services other than payment of principal and interest on long-term obligations was \$1.17 per \$100 and the tax rate to finance the payment of principal and interest on long-term obligations was \$0.0882 per \$100 for the year ended August 31, 2017.

Fair Value Measurements

Statement No. 72 requires the District to use general valuation techniques that may be used to measure fair value, which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. Market approach uses prices generated by market transactions involving identical or comparable assets or liabilities, the cost approach uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and the income approach uses valuation techniques to convert future amounts to present amounts based on current market expectations.

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Other Policies (Continued)

Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

Accounting System

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

Data Control Codes

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

G. Stewardship, Compliance, and Accountability

Budgetary information

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's Financial Accounting Resource module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund and Food Service Fund. The remaining special revenue funds adopt project-length budgets that do not correspond to the District's fiscal year.

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

G. Stewardship, Compliance, and Accountability (*Continued*)

Finance Related

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

Expenditures Exceeding Appropriations

General Fund: at year-end, interest on long-term debt had expenditures over appropriations of \$1,347.

Debt Service Fund: at year-end, principal on long term debt and bond issuance cost and fees had expenditures over appropriations of \$149,998 and \$171,248, respectively.

Deficit Fund Balance or Fund Net Assets of Individual Funds

As of August 31, 2017, the District had deficit net position in funds Health Insurance \$419,138 and Worker's Compensation \$683,644.

Note 2: DEPOSITS, SECURITIES AND INVESTMENTS

Deposits

Under Texas state law, 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. At year-end, the carrying amount of the District's deposits was \$14,018,663 and the bank balance of \$15,006,634. The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes that they complied with all significant requirements of the PFIA and the District's investment policies.

Custodial credit risk: the risk that in the event of a bank failure, the District's deposits may not be covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. The District's cash deposits at August 31, 2017 and during the year ended August 31, 2017 were not adequately covered by pledged securities held in the District's name by a bank other than the pledging bank.

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

Note 2: DEPOSITS, SECURITIES AND INVESTMENTS *(Continued)*

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

- a. Name of Bank: Wells Fargo
- b. The amount of pledged securities as of the date of the highest combined balance on deposit was \$20,834,671.
- c. The largest combined balances of cash and savings accounts amounted to \$30,228,676 and occurred during the month of November 2016.
- d. The amount of FDIC coverage at the time of the largest combined balance was \$250,000.

Investments

In compliance with the Public Investment Act, the District has adopted a deposit and investment policy. The Act requires an annual review of the investment policy and investment strategy. The District's management believes that it complied with the requirements of the Act and the District's investment policies.

The District's investment policies and types of investments are governed by the Public Funds Investments Act ("Act") of 1995. The following types of investment instruments are authorized:

- 1) Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009
- 2) Certificates of deposit and share certificates as permitted by Government Code 2256.010
- 3) Fully collateralized repurchase agreements as permitted by Government Code 2256.011
- 4) A securities lending program as permitted by Government Code 2256.0115
- 5) Banker's acceptances as permitted by Government Code 2256.012 Commercial paper as permitted by Government Code 2256.013
- 6) No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014
- 7) A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements as established by Government Code 2256.01
- 8) Public funds investment pools as permitted by Government Code 2256.016

State law and the District's Investment Policy restrict depository time and demand deposits to those fully collateralized or FDIC insured from eligible depositories (banks) doing business in Texas. By policy, depository CDs are limited to maturities not exceeding two (2) years and require collateralization to 102% with pledged securities (and 110% if collateral is a mortgage backed security). All collateral is to be held by an independent custodian. The pledging bank is contractually responsible for monitoring and maintaining the collateral margins daily.

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

Note 2: DEPOSITS, SECURITIES AND INVESTMENTS *(Continued)*

Brokered CD securities must be FDIC insured and delivered versus payment to the District's depository. The maximum maturity for brokered CDs is one year and FDIC insurance must be verified before purchase. The policy requires that FDIC status of the brokered CD banks be monitored weekly and any mergers exposing the District to non-FDIC coverage requires immediate liquidation.

State law and the District's adopted Investment Policy limit repurchase agreements to primary dealers or banks doing business in Texas. The policy requires independent safekeeping of collateral, and a 102% margin on collateral. Repurchase agreements are limited to a maximum maturity of three (3) years executed under a Master Repurchase Agreement. Constant dollar, local-government investment pools, as by state law (2256.016) and approved by the adopted Policy are authorized. By state law, all local government pools are rated AAA or equivalent by at least one NRSRO (Nationally Recognized Securities Ratings Organization). All pools by Policy must strive to maintain a \$1 NAV.

Debt issued by states, local governments and other political subdivisions must be general obligations of the issuer and be rated A or better by at least one NRSRO and are restricted to two (2) years to maturity.

AAA rated, SEC registered money market mutual funds are authorized if they strive to maintain a \$1 NAV.

As of August 31, 2017:

- Holdings in local government investment pools rated AAAM represented 91.79% of the total portfolio
- Holdings in fully FDIC insured or collateralized interest bearing bank accounts represented 8.20% of the total portfolio

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. Information on the credit rating and credit risk associated with debt securities (excluding U.S. government obligations and obligations guaranteed by the full faith and credit of the U.S. government), external investment pools, money market funds, bond mutual funds and other pooled investments of fixed-income securities at year-end is required. TexPool is currently rated AAAM by Standard & Poor's.

Interest rate risk. In accordance with state law and its investment policy, the District does not purchase any investments greater than five (5) years for its operating funds. The weighted-average maturity for TexPool was 32 days at August 31, 2017.

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

Note 2: DEPOSITS, SECURITIES AND INVESTMENTS (Continued)

Credit risk. State law and District policy limit investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service.

Concentration of credit risk. The District's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

The District's adopted Investment Policy requires diversification on all authorized investment types and monthly monitoring of credit ratings. See concentrations of investments detailed under the credit risk section above.

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, and are subject to the provisions of the Public Funds Investment Act (the "Act"). Chapter 2256 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 AAAM 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.

All of the investment pools that the District is invested in have met the criteria established under GASB Statement No. 79 to report their value at amortized cost.

All of the investment pools strive to maintain a \$1 per share net asset value. Additionally, the pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity or redemption gates.

The District's investments at August 31, 2017 are shown below:

<u>Investment Type Exposure</u>	<u>Reported Amount</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>	<u>Exposure</u>
Reported at Amortized Cost				
TexPool	\$ 41,728,487	32 days	AAAM	100%
CD's	3,214,508	426 days (Various)	N/A	N/A
	<u>\$ 44,942,995</u>			

DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

Note 2: DEPOSITS, SECURITIES AND INVESTMENTS (Continued)

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

The following is a reconciliation of the District's total cash and investments:

Deposits	\$ 14,018,663
Investments	44,942,995
Total	<u>\$ 58,961,658</u>
Exhibit A-1	
Cash and Cash Equivalents	\$ 13,424,049
Investments	44,942,995
Total Exhibit A-1	<u>\$ 58,367,044</u>
Exhibit E-1	
Cash and Cash Equivalents	\$ 594,614
Total Exhibit E-1	<u>\$ 594,614</u>

Note 3: Due from Other Governments

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 to and from other governments are reflected in the following funds:

<u>Due from Other Governments:</u>	<u>General fund</u>	<u>Debt Service</u>	<u>Other Funds</u>
Federal/State Funding:			
Texas Education Agency	\$ 7,717,457	\$ -	\$ 3,273,564
Texas Department of Agriculture	236,405	-	-
SHARS	2,185,334	-	136,103
County of Hidalgo Tax Collections	54,786	3,920	-
Exhibit C-1	<u>\$ 10,193,982</u>	<u>\$ 3,920</u>	<u>\$ 3,409,667</u>
<u>Due to Other Governments:</u>			
Federal/State Funding:			
Texas Education Agency	\$ 865,673	\$ 162,509	\$ 34,362
Exhibit C-1	<u>\$ 865,673</u>	<u>\$ 162,509</u>	<u>\$ 34,362</u>

DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

NOTE 4: INTER-FUND RECEIVABLES AND PAYABLES

The composition of inter-fund balances as of August 31, 2017 is as follows:

	Due From Other Funds	Due To Other Funds
General Fund		
Nonmajor Governmental Funds	\$ 2,770,810	\$ -
Debt Service Fund	1,458	5,437,297
Internal Service Fund	779,024	1,701,989
Trust and Agency Funds	3,708	87
Debt Service Fund		
General Fund	5,437,297	1,458
Nonmajor Governmental Fund		
General Fund	-	2,770,810
Internal Service Fund		
General Fund	1,701,989	779,024
Trust and Agency Funds		
General Fund	87	3,708
Total	<u>\$ 10,694,373</u>	<u>\$ 10,694,373</u>

These inter-fund receivables and payables resulted from the time lag between the dates that 1) inter-fund goods and services are provided when reimbursable expenditures occur, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made. Balances also result from inter-fund payroll transactions and end of year reclassifications made between funds.

DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2017 is as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 7,078,411	\$ -	\$ -	\$ 7,078,411
Total capital assets, not being depreciated	7,078,411	-	-	7,078,411
Capital assets being depreciated:				
Land Improvements	2,696,859	977,007	-	3,673,866
Buildings and improvements	223,384,488	3,060,058	-	226,444,546
Furniture and equipment	32,488,639	693,050	(203,682)	32,978,007
Capital leased assets	2,635,014	-	-	2,635,014
Total capital assets being depreciated	261,205,000	4,730,115	(203,682)	265,731,433
Less accumulated depreciation for:				
Land Improvements	(1,423,279)	(112,028)	-	(1,535,307)
Building and improvements	(59,003,323)	(4,917,592)	-	(63,920,915)
Furniture and equipment	(24,091,960)	(2,653,407)	203,682	(26,541,685)
Capital leased assets	(570,920)	(527,003)	-	(1,097,923)
Total accumulated depreciation	(85,089,482)	(8,210,030)	203,682	(93,095,830)
Total capital assets being depreciated, net:	176,115,518	(3,479,915)	-	172,635,603
Governmental activities capital assets net:	<u>\$ 183,193,929</u>	<u>\$ (3,479,915)</u>	<u>\$ -</u>	<u>\$ 179,714,014</u>

Depreciation expense was charged to the District's functions as follows:

11 Instruction	\$ 4,283,535
12 Instructional Resources & Media Services	89,022
23 Curriculum & Instructional Staff Development	5,557
32 Social Work Studies	19,067
34 Student Pupil Transportation	1,063,534
35 Food Services	617,982
36 Concurricular/Extracurricular Activities	383,287
41 General Administration	56,746
51 Plan Maintenance and Operations	333,656
52 Security and Monitoring Services	77,553
53 Data Processing Services	1,280,091
Total depreciation expense - governmental activities	<u>\$ 8,210,030</u>

DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

NOTE 6: INTER-FUND TRANSFERS

The following represent the inter-fund transfers for the District as of August 31, 2017:

	<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund			
Local Maintenance	199	\$ -	\$ 3,703,731
Internal Service Fund			
Insurance	753	3,703,731	-
		<u>\$ 3,703,731</u>	<u>\$ 3,703,731</u>

The purpose of the above transfers was to fund internal service obligations.

NOTE 7: DISAGGREGATION OF RECEIVABLES AND PAYABLES

As of August 31, 2017, the district's individual major and nonmajor receivables and payables in aggregate are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Property Taxes, Net	<u>\$ 2,487,242</u>	<u>\$ 426,702</u>	<u>\$ -</u>	<u>\$ 2,913,944</u>
Other Receivables				
Miscellaneous	<u>\$ 13,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,767</u>
Accrued liabilities				
Accrued Wages Payable	\$ 4,261,647	\$ -	\$ 598,703	\$ 4,860,350
Payroll Deductions	66,337	-	-	66,337
Total Accrued Liabilities	<u>\$ 4,327,984</u>	<u>\$ -</u>	<u>\$ 598,703</u>	<u>\$ 4,926,687</u>

NOTE 8: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

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

	<u>General Fund</u>	<u>Debt Service</u>
Property Taxes, unavailable	\$ 2,267,573	\$ 410,072
SHARS, unavailable	2,185,335	-
Total Exhibit C-1	<u>\$ 4,452,908</u>	<u>\$ 410,072</u>

DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

NOTE 8: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES (Continued)

At the government-wide financial statements (Exhibit A-1), the District reports cumulative charges on refunding as net deferred outflows in the amount of \$407,259.

Deferred outflows of resources and deferred inflows resources related to pensions is \$13,665,056 and \$2,438,221, respectively. See related details of pension plan obligations in Note 15.

NOTE 9: UNEARNED REVENUES

At August 31, 2017, the District had the following unearned revenues:

Advance on Summary of Finances	\$ 229,028
Advance on Donations	119,025
Refundable Advances	103,959
Total	<u>\$ 452,012</u>

NOTE 10: LONG-TERM DEBT

Changes in debt long-term obligations for the year ended August 31, 2017 are as follows:

Governmental Activities	Restated Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Bonds Payable					
General Obligations	\$ 83,525,000	\$ 7,595,000	\$ 13,865,000	\$ 77,255,000	\$ 5,640,000
Capital Appreciation Bonds	10,000	-	-	10,000	-
Premium on Bond Issuance	2,940,064	795,374	380,317	3,355,121	-
Accretion on CAB's	1,722,558	73,962	1,400,244	396,276	-
Sub-Total Bonds	<u>88,197,622</u>	<u>8,464,336</u>	<u>15,645,561</u>	<u>81,016,397</u>	<u>5,640,000</u>
Notes Payable	8,066,551	-	711,790	7,354,761	731,364
Capital Leases Payable	<u>2,158,664</u>	<u>-</u>	<u>841,157</u>	<u>1,317,507</u>	<u>658,174</u>
Total Long-Term Debt	<u>98,422,837</u>	<u>8,464,336</u>	<u>17,198,508</u>	<u>89,688,665</u>	<u>7,029,538</u>
Other Long-Term Liabilities					
Compensated Absences	<u>262,619</u>	<u>36,909</u>	<u>2,150</u>	<u>297,378</u>	<u>2,000</u>
Total Other Long-Term Liabilities	<u>262,619</u>	<u>36,909</u>	<u>2,150</u>	<u>297,378</u>	<u>2,000</u>
Total Governmental Activities	<u>\$ 98,685,456</u>	<u>\$ 8,501,245</u>	<u>\$ 17,200,658</u>	<u>\$ 89,986,043</u>	<u>\$ 7,031,538</u>

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

NOTE 10: LONG-TERM DEBT (Continued)

Bonded debt will be paid by the Debt Service Fund, claims payable will be paid by the Internal Service Fund, compensated absences will be paid by the General Fund and Federal and State Funds, as applicable, and notes payable as well as capital leases payable will be paid by the General Fund.

Bonds Payable

Bonds payable at August 31, 2017 are comprised of the following:

Unlimited Tax School building and Refunding Bonds:

\$51,955,000 Series 2010A due in varying installments through 2040, interest at 2.00% to 5.00%	\$ 44,230,000
\$7,990,000 Series 2010B due in varying installments through 2027, interest at 2.00% to 4.00%	5,840,000
\$8,630,000 Series 2011 due in varying installments through 2034, interest at 2.00% to 4.00%	8,215,000
\$7,150,000 Series 2013 due in varying installments through 2029, interest at 2.00% to 3.50%	5,705,000
\$12,390,000 Series 2014 due in varying installments through 2020, interest at 2.00% to 4.00%	5,830,000
\$7,595,000 Series 2016 due in varying installments through 2025, interest at 2.00% to 4.00%	7,445,000
	<u>\$ 77,265,000</u>

Bond future debt service requirements are as follows:

Years Ending August 31,	Principal	Interest	Total
2018	\$ 5,640,000	\$ 2,950,794	\$ 8,590,794
2019	3,645,000	2,687,450	6,332,450
2020	3,990,000	2,554,113	6,544,113
2021	2,850,000	2,425,375	5,275,375
2022	4,535,000	2,274,975	6,809,975
2023-2027	21,355,000	8,764,831	30,119,831
2028-2032	13,445,000	5,726,550	19,171,550
2033-2037	13,555,000	2,934,900	16,489,900
2038-2042	8,250,000	503,800	8,753,800
	<u>\$ 77,265,000</u>	<u>\$ 30,822,788</u>	<u>\$ 108,087,788</u>

DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

NOTE 10: LONG-TERM DEBT (Continued)

Notes payable at August 31, 2017 are as follows:

Note payable to Governmental Capital Corporation for new LED lighting technology, in annual payments of \$933,620 through 2026 with an interest rate of 2.75%	<u>\$ 7,354,761</u>
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Notes Payable future debt service requirements are as follows:

Years Ending August 31,	Principal	Interest	Total
2018	\$ 731,364	\$ 202,256	\$ 933,620
2019	751,477	182,143	933,620
2020	772,142	161,478	933,620
2021	793,376	140,244	933,620
2022	815,194	118,426	933,620
2023-2027	3,491,208	243,275	3,734,483
	<u>\$ 7,354,761</u>	<u>\$ 1,047,822</u>	<u>\$ 8,402,583</u>

Capital Leases Payable

Capital leases payable at August 31, 2017 are as follows:

Capital lease payable to Insight Investments, LLC for HP ProDesks, in annual payments of \$660,493 with through 2018. Texas Education Code Sec. 61.003.	\$ 1,317,506
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Capital lease payable to John Deere Financial for riding lawn mower, in annual payments of \$22,380 with through 2018. Texas Education Code Sec. 61.003.	<u>1</u> <u>\$ 1,317,507</u>
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Capital Leases future debt service requirements are as follows:

Years Ending August 31,	Principal	Interest	Total
2018	\$ 658,174	\$ 2,319	\$ 660,493
2019	659,332	1,161	660,493
2020	-	-	-
2021	-	-	-
2022	-	-	-
	<u>\$ 1,317,506</u>	<u>\$ 3,480</u>	<u>\$ 1,320,986</u>

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

NOTE 10: LONG-TERM DEBT *(Continued)*

Advance Refunding in Prior Years

In 2010, the District advance refunded \$135,000, Series 2000 Bonds, and \$7,910,000, Series 2002 Bonds. The District issued \$7,990,000 of Bonds, Series 2010 to provide resources to cover costs of issuance to purchase qualifying securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. Accordingly, the liability for the defeased bonds is not included in the District's financial statements.

At August 31, 2017, \$5,965,000 of these 2000 and 2002 outstanding bonds is considered defeased.

In 2011, the District advance refunded \$3,070,000, Series 2002 Bonds, and \$5,560,000, Series 2004 Bonds. The District issued \$8,630,000 of Bonds, Series 2011 to provide resources to cover costs of issuance to purchase qualifying securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. Accordingly, the liability for the defeased bonds is not included in the District's financial statements.

At August 31, 2017, \$8,630,000 of these 2002 and 2004 outstanding bonds is considered defeased.

In 2013, the District advance refunded \$7,185,000, Series 2004 Bonds. The District issued \$7,150,000 of Bonds, Series 2013 to provide resources to cover costs of issuance to purchase qualifying securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. Accordingly, the liability for the defeased bonds is not included in the District's financial statements.

At August 31, 2017, \$5,955,000 of this 2004 outstanding bond is considered defeased.

In 2014, the District advance refunded \$12,815,000, Series 2005 Bond. The District issued \$12,390,000 of Bonds, Series 2014 to provide resources to cover costs of issuance to purchase qualifying securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. Accordingly, the liability for the defeased bonds is not included in the District's financial statements.

At August 31, 2017, \$6,400,000 of this 2005 outstanding bond is considered defeased.

Refunding Bond Issuance

On November 30, 2016, the District issued \$7,595,000 in Unlimited Tax Refunding Bonds, Series 2016 to refund the balance of Unlimited Tax Refunding Bonds, Series 2007 and to pay costs of issuance related to that bond. The bond 2016 consists of \$7,595,000 in current interest bonds with a rate of 2.0 - 4.0%, with final maturity on February 15, 2025. Debt service payments started semi-annually beginning February 15, 2017. The net present value savings is \$749,865.

At August 31, 2017, \$8,050,000 of this 2007 outstanding bond is considered defeased.

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

NOTE 11: MAINTENANCE OF EFFORT

The District sponsors a modified self-insurance plan to provide health care benefits to staff members and their dependents:

A: Total District premium paid for health care for 2016-2017:	\$ 14,844,989
B: Subtract any non-medical expenditures:	-
C: 2016-2017 Maintenance of Effort:	<u>\$ 14,844,989</u>

NOTE 12: REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2017, revenues from local and intermediate sources reported in the fund financial statements for governmental fund types consisted of the following:

	General Fund	Debt Service Fund	Total
Property Taxes	\$ 14,023,916	\$ 1,058,679	\$ 15,082,595
Penalties, Interest and Other tax related	865,384	69,248	934,632
Food sales	241,465	-	241,465
Investment income	332,108	21,980	354,088
Co-curricular student activities	155,183	-	155,183
Tuition and fees	7,750	-	7,750
Other	192,818	-	192,818
	<u>\$ 15,818,624</u>	<u>\$ 1,149,907</u>	<u>\$ 16,968,531</u>

Note 13: GENERAL FUND FEDERAL SOURCE REVENUES

The following summarizes general fund federal program revenues:

	CFDA	Amount
National School Lunch/Breakfast	10.555/10.553	\$ 11,235,888
Commodity Supplemental Food Program	10.555	809,598
Fresh Fruit and Vegetable Program	10.582	311,957
R.O.T.C Program	12	53,987
Medicaid	Not applicable	2,507,385
Indirect Cost Revenue Various Federal Programs	Various	1,278,202
E-Rate Infrastructure	Not applicable	1,038,377
		<u>\$ 17,235,393</u>

DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

Note 14: SHARED SERVICE AGREEMENT

Donna ISD is a member in a Shared Service Arrangement (SSA) with McAllen ISD, which provides deaf education services to district members whose students are enrolled in the Regional Day School Program for the Deaf. According to the SSA agreement, costs incurred by the SSA shall be divided among the member districts in proportion to the number of students of each member district attending the Regional Day School program. As of August 31, 2017, expenditures allocated to Donna ISD are in the amount of \$230,468.

Note 15: PENSION PLAN OBLIGATIONS

Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223- 8778, or by writing to the TRS Communications Department, 1 000 Red River Street, Austin, Texas 78701.

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.

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

Note 15: PENSION PLAN OBLIGATIONS (Continued)

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.

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 through 2017.

The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates		
	2016	2017
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Current fiscal year employer contributions		\$ 3,141,617
Current fiscal year member contributions		\$ 8,324,756
2016 measurement year NECE on-behalf contributions		\$ 5,478,267

DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

Note 15: PENSION PLAN OBLIGATIONS *(Continued)*

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.

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.

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

Note 15: PENSION PLAN OBLIGATIONS (Continued)

Actuarial Assumptions

The total pension liability in the August 31, 2016 (the measurement date) actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
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. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

Note 15: PENSION PLAN OBLIGATIONS (Continued)

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Return*
Global Equity			
U.S.	18%	4.60%	1.0%
Non-U.S. Developed	13%	5.10%	0.8%
Emerging Markets	9%	5.90%	0.7%
Directional Hedge Funds	4%	3.20%	0.1%
Private Equity	13%	7.00%	1.1%
Stable Value			
U.S. Treasuries	11%	0.70%	0.1%
Absolute Return	0%	1.80%	0.0%
Stable Value Hedge Funds	4%	3.00%	0.1%
Cash	1%	-0.20%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.90%	0.0%
Real Assets	16%	5.10%	1.1%
Energy and Natural Resources	3%	6.60%	0.2%
Commodities	0%	1.20%	0.0%
Risk Parity			
Risk Parity	5%	6.70%	0.3%
Inflation Expectation			2.2%
Alpha			1%
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 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$ 56,935,944	\$ 36,788,331	\$ 19,699,083

DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

Note 15: PENSION PLAN OBLIGATIONS (Continued)

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

At August 31, 2017, the District reported a liability of \$36,788,331 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	\$ 36,788,331
State's proportionate share that is associated with the District	<u>65,026,187</u>
Total	<u>\$ 101,814,518</u>

The net pension liability was measured as of August 31, 2016 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, 2015 through August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0973532%, which was an increase (decrease) of -0.0050622% from its proportion measured as of August 31, 2015.

Changes since the Prior Actuarial Valuation

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

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

For the year ended August 31, 2017, the District recognized pension expense of \$6,748,168 and revenue of \$6,748,168 for support provided by the State.

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

Note 15: PENSION PLAN OBLIGATIONS (Continued)

At August 31, 2017, 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	\$ 576,834	\$ 1,098,478
Changes in actuarial assumptions	1,121,242	1,019,724
Differences between projected and actual investment earnings	3,115,160	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	5,710,203	320,019
Total as of August 31, 2016 measurement date	\$ 10,523,439	\$ 2,438,221
Contributions paid to TRS subsequent to the measurement date	3,141,617	-
Total as of fiscal year-end	\$ 13,665,056	\$ 2,438,221

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
2018	\$ 1,397,855
2019	1,397,855
2020	3,384,856
2021	1,245,189
2022	660,344
Thereafter	(881)

Note 16: POSTEMPLOYMENT HEALTH BENEFITS

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRSCare), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. 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. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

Note 16: POSTEMPLOYMENT HEALTH BENEFITS *(Continued)*

Department at 1-800-223-8778, or by writing to the Communications Department of TRS at 1000 Red River Street, Austin, Texas 78701.

Funding Policy

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

The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for the years ended August 31, 2017, 2016 and 2015. Effective September 1, 2014 the State's contribution rate for TRS-Care increased to 1.0% and increased to 1.25% effective September 1, 2017.

Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2017, 2016 and 2015, the State's contributions to TRS-Care were \$108,114, \$104,846, and \$101,373, respectively, the active member contributions were \$702,739, \$681,492, and \$658,939 respectively, were recognized by the District, and the District's contributions were \$594,625, \$576,654 and \$557,566, respectively, which equaled the required contributions each year.

Medicare Part D – On Behalf Payments for Reporting Entities

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 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 have been recognized as equal revenues and expenditures by the District, in the amount of \$372,050, \$468,163 and \$479,991 for the years ended August 31, 2017, 2016, and 2015 respectively.

Note 17: RISK MANAGEMENT

General

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past fiscal year.

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

Note 17: RISK MANAGEMENT (Continued)

Worker's Compensation

The District's workers' compensation plan is administered by an independent claims administrator who reviews and processes all workers' compensation claims. The District pays each month an amount equal to the actual paid losses plus a fee based on the number of claimants. The District has in place specific stop loss coverage of \$400 for any one accident or occurrence up to a maximum limit of \$1,000,000.

The following is a reconciliation of workers' compensation claims:

	Worker's Compensation
Claims Payable Beginning of Year	\$ 1,459,000
Current Year Claims and Changes in Estimates	3,440,000
Claim Payments Net of Stop Loss	<u>(3,344,000)</u>
Claims Payable End of Year	<u>\$ 1,555,000</u>

Health and Dental Benefit Plan

The District provides the employees with a health insurance plan. As a self-insured program, premiums of \$505 per month are paid by the District per employee; and employees, at their option, authorized payroll withholdings to pay premiums for dependents. The plan was authorized by Article 21.922, Texas Education Code, and was documented by contractual agreement.

Claims Liabilities

The claims for health and dental insurance liability reported in the Internal Service Fund at August 31, 2017 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Balances related to health and dental insurance are below:

	Health and Dental
Beginning of Fiscal Year Claims Liability	\$ 507,314
Current Year Claims and Charges in Estimates	<u>(88,177)</u>
End of Fiscal Year Claims Liability	<u>\$ 419,137</u>

**DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

NOTE 18: CONTINGENCIES

The District participates in a number of state and federally assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be finally determined at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is independently self-insured for health and dental and worker's compensation insurance. Claims paid are reported in the Internal Service Fund. Claims incurred but not reported have been considered in determining the accrual for claims and the District management believes adequate accruals have been provided at August 31, 2017.

The District participates in a public entity risk pool for various governmental functions. The District believes any adjustments to premiums for claims would be immaterial.

The District is involved in various legal proceedings arising from its operations. Management in consultation with its attorneys believes the outcomes will have no material effect on the District's financial position.

NOTE 19: OPERATING LEASES

Rental expenditures during the year totaled \$775,991 for governmental activities, which included month to month leases. The District has operating leases for computer, office equipment, and portable building. Commitments under lease agreements as of August 31, 2017 provide for future minimum lease obligations as follows:

<u>Year Ending August 31,</u>	<u>Operating Leases</u>
2018	\$ 115,188
2019	-
2020	-
2021	-
2022	-

NOTE 20: SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 24, 2018 which is the date the financial statements are available to be issued.

DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

NOTE 21: PRIOR YEAR ADJUSTMENTS

During the 2017 audit, it was noted that several general ledger account balances were not adjusted correctly to agree to the District's subledgers and/or schedules. The correction of errors mainly affected payroll deductions, payroll accruals, accrued claims liabilities, capital assets, debt, and the SHARS adjustment. The errors have been corrected by adjusting beginning balances. The following table illustrates the effects of the prior period adjustments, resulting from correction of errors, on net position of governmental activities and governmental fund balance at August 31, 2017.

	Effect to Net Position Fund Balance at August 31, 2017
Fund Level:	
Property Tax Receivable	\$ 2,915
Due from other government	(155,577)
Due to other government	150,728
Accounts Payable	(257,548)
Payroll Deductions	422,309
Accrued Payroll	(857,284)
Deferred Inflows	(305,489)
Unearned Revenue	295,080
Accrued liabilities (claims)	(1,699,992)
	<u>\$ (2,404,858)</u>
Governmental Fund Balance:	
Fixed Assets	\$ (39,481,325)
Long Term Debt	(779,857)
SHARS	1,475,551
Prior Period Adjustment Government Wide Level	<u>\$ (41,190,489)</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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DONNA ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2017

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	\$ 16,797,240	\$ 17,040,002	\$ 15,818,624	\$ (1,221,378)
5800	State Program Revenues	131,150,285	134,135,048	128,457,666	(5,677,382)
5900	Federal Program Revenues	14,234,598	14,377,499	17,235,393	2,857,894
5020	Total Revenues	162,182,123	165,552,549	161,511,683	(4,040,866)
	EXPENDITURES:				
	Current:				
0011	Instruction	81,041,292	83,314,778	78,415,192	4,899,586
0012	Instructional Resources and Media Services	1,837,279	1,870,782	1,731,987	138,795
0013	Curriculum and Instructional Staff Development	2,514,041	2,665,113	2,407,207	257,906
0021	Instructional Leadership	2,165,562	2,568,278	2,109,867	458,411
0023	School Leadership	7,475,100	7,530,230	7,243,074	287,156
0031	Guidance, Counseling and Evaluation Services	5,591,349	5,870,651	5,581,284	289,367
0032	Social Work Services	1,071,408	979,788	896,918	82,870
0033	Health Services	1,862,946	1,808,633	1,676,333	132,300
0034	Student (Pupil) Transportation	4,871,906	6,138,831	5,480,796	658,035
0035	Food Services	11,588,572	12,346,876	11,623,376	723,500
0036	Extracurricular Activities	5,893,150	6,621,619	6,400,428	221,191
0041	General Administration	6,022,762	6,377,394	5,920,504	456,890
0051	Facilities Maintenance and Operations	17,374,465	16,135,119	15,552,937	582,182
0052	Security and Monitoring Services	3,058,092	3,106,621	2,891,624	214,997
0053	Data Processing Services	3,704,954	2,638,742	2,596,820	41,922
0061	Community Services	309,548	347,096	267,040	80,056
	Debt Service:				
0071	Principal on Long Term Debt	2,035,480	2,129,724	1,552,949	576,775
0072	Interest on Long Term Debt	-	226,248	227,595	(1,347)
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	2,762,266	2,682,997	79,269
	Intergovernmental:				
0095	Payments to Juvenile Justice Alternative Ed. Prg.	113,760	113,760	9,976	103,784
6030	Total Expenditures	158,531,666	165,552,549	155,268,904	10,283,645
1100	Excess of Revenues Over Expenditures	3,650,457	-	6,242,779	6,242,779
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	-	-	13,036	13,036
8911	Transfers Out (Use)	(3,650,457)	(2,740,299)	(3,703,731)	(963,432)
7080	Total Other Financing Sources (Uses)	(3,650,457)	(2,740,299)	(3,690,695)	(950,396)
1200	Net Change in Fund Balances	-	(2,740,299)	2,552,084	5,292,383
0100	Fund Balance - September 1 (Beginning)	50,449,580	50,449,580	50,449,580	-
1300	Prior Period Adjustment(s)	(693,610)	(693,610)	(693,610)	-
3000	Fund Balance - August 31 (Ending)	\$ 49,755,970	\$ 47,015,671	\$ 52,308,054	\$ 5,292,383

DONNA ISD
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 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)	0.0973532%	0.1024154%	0.0723063%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 36,788,331	\$ 36,202,481	\$ 19,314,013
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	65,026,187	61,977,021	51,381,407
Total	\$ 101,814,518	\$ 98,179,502	\$ 70,695,420
District's Covered Payroll	\$ 104,845,274	\$ 101,375,603	\$ 97,802,467
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	35.09%	35.71%	19.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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, 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 three 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."

DONNA ISD
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2017

	2017	2016	2015
Contractually Required Contribution	\$ 3,141,617	\$ 3,092,157	\$ 3,032,563
Contribution in Relation to the Contractually Required Contribution	(3,141,617)	(3,092,157)	(3,032,563)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 108,113,665	\$ 104,845,274	\$ 101,375,603
Contributions as a Percentage of Covered Payroll	2.91%	2.95%	2.99%

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 for the respective fiscal years.

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

DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2017

Budgets

The official school original budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The original budget was formally adopted on August 25, 2016 by the Board of School Trustees at a duly advertised public meeting prior to the expenditure of funds. The board also approved amendments throughout the year and the final amended budget was on August 29, 2017. Expenditures may not legally exceed budgeted appropriations at the function level. Annual budgets were adopted for the General Fund and the Debt Service Fund on a basis consistent with generally accepted accounting principles. The Debt Service Fund comparison schedule is presented in the Other Supplementary Information section of the financial statements.

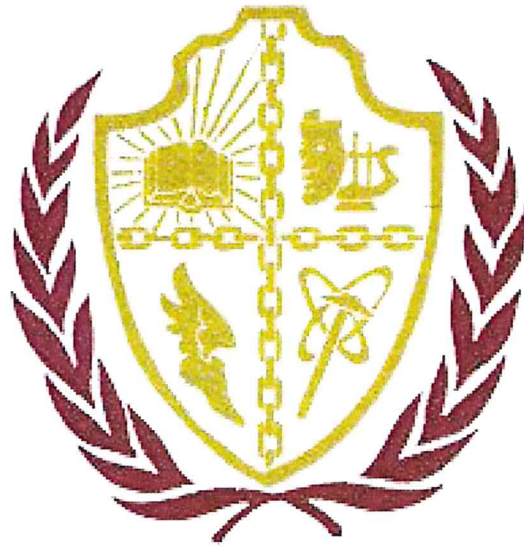
Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at the time are to be either cancelled or appropriated provided for in the subsequent year's budget.

Pension

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

Change in Assumptions – There were no changes in actuarial assumptions and methods since the prior valuation.



COMBINING FUND STATEMENTS

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DONNA ISD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes		206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	4,487	1,857,546	619,249	352,453
1000	Total Assets	<u>\$ 4,487</u>	<u>\$ 1,857,546</u>	<u>\$ 619,249</u>	<u>\$ 352,453</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 2,756	\$ 18	\$ 13
2160	Accrued Wages Payable	364	295,017	104,897	86,917
2170	Due to Other Funds	2,631	1,559,773	490,393	265,265
2180	Due to Other Governments	-	-	23,941	258
2300	Unearned Revenues	1,492	-	-	-
2000	Total Liabilities	<u>4,487</u>	<u>1,857,546</u>	<u>619,249</u>	<u>352,453</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,487</u>	<u>\$ 1,857,546</u>	<u>\$ 619,249</u>	<u>\$ 352,453</u>

EXHIBIT H-1 (Cont'd)

225 IDEA - Part B Preschool	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	272 Medicaid Admin. Claim MAC	274 GEAR UP	276 Title I - SIP Academy Grant
\$ -	\$ 76	\$ 1,309	\$ -	\$ -	\$ 471,646	\$ -	\$ -
7,902	30,197	85,916	70,847	84,238	-	131,616	103,970
<u>\$ 7,902</u>	<u>\$ 30,273</u>	<u>\$ 87,225</u>	<u>\$ 70,847</u>	<u>\$ 84,238</u>	<u>\$ 471,646</u>	<u>\$ 131,616</u>	<u>\$ 103,970</u>
\$ -	\$ 2	\$ (1)	\$ -	\$ -	\$ -	\$ -	\$ 3,403
1,348	2,678	7,803	23,390	25,393	-	-	50,896
2,219	27,593	79,423	41,629	58,845	-	131,616	49,671
4,335	-	-	5,828	-	-	-	-
-	-	-	-	-	42,397	-	-
<u>7,902</u>	<u>30,273</u>	<u>87,225</u>	<u>70,847</u>	<u>84,238</u>	<u>42,397</u>	<u>131,616</u>	<u>103,970</u>
-	-	-	-	-	429,249	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>429,249</u>	<u>-</u>	<u>-</u>
<u>\$ 7,902</u>	<u>\$ 30,273</u>	<u>\$ 87,225</u>	<u>\$ 70,847</u>	<u>\$ 84,238</u>	<u>\$ 471,646</u>	<u>\$ 131,616</u>	<u>\$ 103,970</u>

DONNA ISD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes		289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	410 State Textbook Fund	429 Other State Special Revenue Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ 60,558	\$ 3,225	\$ 214,303	\$ 37,775
1240	Receivables from Other Governments	1,342	-	-	59,904
1000	Total Assets	<u>\$ 61,900</u>	<u>\$ 3,225</u>	<u>\$ 214,303</u>	<u>\$ 97,679</u>
LIABILITIES					
2110	Accounts Payable	\$ 26,119	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	1,342	-	-	60,410
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenues	34,439	3,225	214,303	37,131
2000	Total Liabilities	<u>61,900</u>	<u>3,225</u>	<u>214,303</u>	<u>97,541</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	138
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>138</u>
4000	Total Liabilities and Fund Balances	<u>\$ 61,900</u>	<u>\$ 3,225</u>	<u>\$ 214,303</u>	<u>\$ 97,679</u>

499 IMA Textbook Fund	Total Nonmajor Governmental Funds
\$ 167,276	\$ 956,168
-	3,409,667
<u>\$ 167,276</u>	<u>\$ 4,365,835</u>
\$ -	\$ 32,310
-	598,703
-	2,770,810
-	34,362
119,025	452,012
<u>119,025</u>	<u>3,888,197</u>
48,251	477,638
<u>48,251</u>	<u>477,638</u>
<u>\$ 167,276</u>	<u>\$ 4,365,835</u>

DONNA ISD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
REVENUES:				
5800 State Program Revenues	\$ -	\$ -	\$ -	\$ -
5900 Federal Program Revenues	43,300	9,830,253	2,876,221	2,039,148
5020 Total Revenues	43,300	9,830,253	2,876,221	2,039,148
EXPENDITURES:				
Current:				
0011 Instruction	-	6,910,691	1,812,541	1,801,809
0012 Instructional Resources and Media Services	-	714,267	-	-
0013 Curriculum and Instructional Staff Development	-	396,593	17,575	5,670
0021 Instructional Leadership	-	332,393	297,345	-
0023 School Leadership	-	16,223	204,615	-
0031 Guidance, Counseling and Evaluation Services	-	10,978	189,025	229,973
0032 Social Work Services	43,300	24,257	77,932	1,696
0033 Health Services	-	699,312	-	-
0051 Facilities Maintenance and Operations	-	910	6,543	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	724,629	270,645	-
6030 Total Expenditures	43,300	9,830,253	2,876,221	2,039,148
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

EXHIBIT H-2 (Cont'd)

225 IDEA - Part B Preschool	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	272 Medicaid Admin. Claim MAC	274 GEAR UP	276 Title I - SIP Academy Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
36,970	296,951	620,534	631,338	948,327	65,951	225,928	340,506
36,970	296,951	620,534	631,338	948,327	65,951	225,928	340,506
36,970	198,615	234,923	385,457	795,748	-	225,179	324,142
-	-	-	-	-	-	-	-
-	-	376,947	49,586	4,512	-	749	5,726
-	-	331	158,464	147,957	-	-	-
-	-	8,333	-	-	-	-	3,406
-	98,336	-	-	-	-	-	7,232
-	-	-	-	-	-	-	-
-	-	-	-	-	17,968	-	-
-	-	-	-	-	-	-	-
-	-	-	-	110	-	-	-
-	-	-	37,831	-	-	-	-
36,970	296,951	620,534	631,338	948,327	17,968	225,928	340,506
-	-	-	-	-	47,983	-	-
-	-	-	-	-	381,266	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 429,249	\$ -	\$ -

DONNA ISD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	410 State Textbook Fund	429 Other State Special Revenue Funds
REVENUES:				
5800 State Program Revenues	\$ -	\$ -	\$ 364,046	\$ 405,215
5900 Federal Program Revenues	1,342	-	-	-
5020 Total Revenues	1,342	-	364,046	405,215
EXPENDITURES:				
Current:				
0011 Instruction	-	-	364,046	392,035
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	1,342	-	-	13,180
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	1,342	-	364,046	405,215
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	138
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 138

499		Total	
IMA		Nonmajor	
Textbook		Governmental	
Fund		Funds	
\$	31,594	\$	800,855
	-		17,956,769
	31,594		18,757,624
	24,727		13,506,883
	6,659		720,926
	-		871,880
	-		936,490
	-		232,577
	-		535,544
	-		147,185
	-		717,280
	-		7,453
	-		110
	208		1,033,313
	31,594		18,709,641
	-		47,983
	48,251		429,655
\$	48,251	\$	477,638

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DONNA ISD
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 AUGUST 31, 2017

	752 Print Shop Fund	753 Health Insurance Fund	754 Computer Operations Fund	771 Workers Compensation Fund	Total Internal Service Funds
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 69,301	\$ 544,895	\$ 438,606	\$ 162,863	\$ 1,215,665
Investments - Current	-	264,606	-	152,832	417,438
Due from Other Funds	-	1,135,731	-	566,258	1,701,989
Total Assets	<u>69,301</u>	<u>1,945,232</u>	<u>438,606</u>	<u>881,953</u>	<u>3,335,092</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	-	1,166,209	-	10,597	1,176,806
Due to Other Funds	-	779,024	-	-	779,024
Accrued Expenses	-	419,137	-	1,555,000	1,974,137
Total Liabilities	<u>-</u>	<u>2,364,370</u>	<u>-</u>	<u>1,565,597</u>	<u>3,929,967</u>
NET POSITION					
Unrestricted Net Position	\$ 69,301	\$ (419,138)	\$ 438,606	\$ (683,644)	\$ (594,875)
Total Net Position	<u>\$ 69,301</u>	<u>\$ (419,138)</u>	<u>\$ 438,606</u>	<u>\$ (683,644)</u>	<u>\$ (594,875)</u>

DONNA ISD
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

	752 Print Shop Fund	753 Health Insurance Fund	754 Computer Operations Fund	771 Workers Compensation Fund	Total Internal Service Funds
OPERATING REVENUES:					
Local and Intermediate Sources	\$ -	\$ 17,647,771	\$ 13,086	\$ 1,232,154	\$ 18,893,011
Total Operating Revenues	-	17,647,771	13,086	1,232,154	18,893,011
OPERATING EXPENSES:					
Professional and Contracted Services	5	54,681	-	1,023,753	1,078,439
Other Operating Costs	-	21,027,321	-	-	21,027,321
Total Operating Expenses	5	21,082,002	-	1,023,753	22,105,760
Operating Income (Loss)	(5)	(3,434,231)	13,086	208,401	(3,212,749)
NONOPERATING REVENUES (EXPENSES):					
Transfer In	-	3,703,731	-	-	3,703,731
Earnings from Temporary Deposits &	-	1,689	-	976	2,665
Total Nonoperating Revenues (Expenses)	-	3,705,420	-	976	3,706,396
Change in Net Position	(5)	271,189	13,086	209,377	493,647
Total Net Position - September 1 (Beginning)	69,306	(183,013)	425,520	299,659	611,472
Prior Period Adjustment	-	(507,314)	-	(1,192,680)	(1,699,994)
Total Net Position - August 31 (Ending)	\$ 69,301	\$ (419,138)	\$ 438,606	\$ (683,644)	\$ (594,875)

DONNA ISD
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	752	753	754	771	Total
	Print	Health	Computer	Workers	Total
	Shop	Insurance	Operations	Compensation	Internal
	Fund	Fund	Fund	Fund	Service Funds
<u>Cash Flows from Operating Activities:</u>					
Cash Received from Customers	\$ -	\$ -	\$ 13,086	\$ 18,039	\$ 31,125
Interfund Services Provided and Used	69,306	17,721,589	425,520	964,251	19,180,666
Cash Payments for Other Suppliers	(5)	(176,022)	-	(75,263)	(251,290)
Cash Payments for Claims	-	(21,432,346)	-	(873,120)	(22,305,466)
Net Cash Provided by (Used for) Operating Activities	69,301	(3,886,779)	438,606	33,907	(3,344,965)
<u>Cash Flows from Non-Capital Financing Activities:</u>					
Transfers From (to) Primary Government	-	3,703,731	-	-	3,703,731
<u>Cash Flows from Investing Activities:</u>					
Purchase of Investment Securities	-	(264,606)	-	(152,832)	(417,438)
Interest and Dividends on Investments	-	1,689	-	976	2,665
Net Cash Used For Investing Activities	-	(262,917)	-	(151,856)	(414,773)
Net Increase (Decrease) in Cash and Cash Equivalents	69,301	(445,965)	438,606	(117,949)	(56,007)
Cash and Cash Equivalents at Beginning of Year	-	990,860	-	280,812	1,271,672
Cash and Cash Equivalents at End of Year	\$ 69,301	\$ 544,895	\$ 438,606	\$ 162,863	\$ 1,215,665
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>					
<u>Provided by (Used for) Operating Activities:</u>					
Operating Income (Loss):	\$ (5)	\$ (3,434,231)	\$ 13,086	\$ 208,401	\$ (3,212,749)
Effect of Increases and Decreases in Current Assets and Liabilities:					
Increase (decrease) in Accounts Payable	-	(438,190)	-	(286,950)	(725,140)
Increase (decrease) in Interfund Payables	69,306	73,819	425,520	(249,863)	318,782
Increase (decrease) in Accrued Expenses	-	(88,177)	-	362,319	274,142
Net Cash Provided by (Used for) Operating Activities	\$ 69,301	\$ (3,886,779)	\$ 438,606	\$ 33,907	\$ (3,344,965)

DONNA ISD
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

	BALANCE SEPTEMBER 1 2016	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2017
AGENCY FUND FOR TEXTBOOK WAIVER REFUNDS				
Assets:				
Cash and Temporary Investments	\$ 22,070	\$ -	\$ 19,884	\$ 2,186
Liabilities:				
Due to Other Funds	\$ 19,901	\$ -	\$ 19,901	\$ -
Due to Other Governments	2,169	17	-	2,186
Total Liabilities	\$ 22,070	\$ 17	\$ 19,901	\$ 2,186
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 349,738	\$ 123,573	\$ -	\$ 473,311
Due From Other Governments	104,930	-	104,842	88
Total Assets	\$ 454,668	\$ 123,573	\$ 104,842	\$ 473,399
Liabilities:				
Payroll Deductions & Withholdings	\$ 9,214	\$ -	\$ -	\$ 9,214
Due to Other Funds	20,256	-	20,256	-
Due to Student Groups	425,198	40,366	1,379	464,185
Total Liabilities	\$ 454,668	\$ 40,366	\$ 21,635	\$ 473,399
FOOD BACKPACK PROGRAM				
Assets:				
Cash and Temporary Investments	\$ 230	\$ -	\$ -	\$ 230
Liabilities:				
Payroll Deductions & Withholdings	\$ 230	\$ -	\$ -	\$ 230
CAMPUS CHECKING ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 200,553	\$ 15,758	\$ 203,177	\$ 13,134
Due From Other Funds	3,106	-	3,106	-
Other Receivables	1,315	-	-	1,315
Total Assets	\$ 204,974	\$ 15,758	\$ 206,283	\$ 14,449
Liabilities:				
Due to Other Funds	\$ 194,302	\$ -	\$ 194,302	\$ -
Due to Student Groups	10,672	3,777	-	14,449
Total Liabilities	\$ 204,974	\$ 3,777	\$ 194,302	\$ 14,449
LIBRARY FUND				
Assets:				
Cash and Temporary Investments	\$ 12,714	\$ 3,121	\$ -	\$ 15,835
Due From Other Funds	6,032	-	6,032	-
Total Assets	\$ 18,746	\$ 3,121	\$ 6,032	\$ 15,835
Liabilities:				
Due to Other Funds	\$ 2,916	\$ -	\$ 2,916	\$ -
Due to Student Groups	15,409	426	-	15,835
Accrued Expenses	420	-	420	-
Total Liabilities	\$ 18,745	\$ 426	\$ 3,336	\$ 15,835

DONNA ISD
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

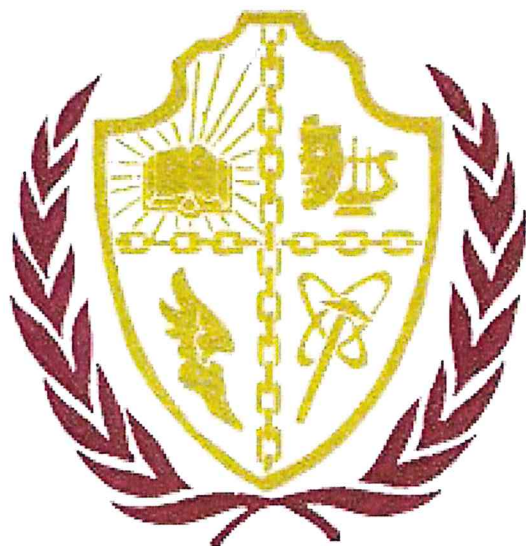
	BALANCE SEPTEMBER 1 2016	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2017
CAMPUS STAFF ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 3,746	\$ 34,524	\$ -	\$ 38,270
Due From Other Funds	27,832	-	27,832	-
Total Assets	<u>\$ 31,578</u>	<u>\$ 34,524</u>	<u>\$ 27,832</u>	<u>\$ 38,270</u>
Liabilities:				
Due to Other Funds	\$ 5,670	\$ -	\$ 5,670	\$ -
Due to Student Groups	25,909	12,361	-	38,270
Total Liabilities	<u>\$ 31,579</u>	<u>\$ 12,361</u>	<u>\$ 5,670</u>	<u>\$ 38,270</u>
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 589,051	\$ 176,976	\$ 223,061	\$ 542,966
Due From Other Governments	104,930	-	104,842	88
Due From Other Funds	36,970	-	36,970	-
Other Receivables	1,315	-	-	1,315
Total Assets	<u>\$ 732,266</u>	<u>\$ 176,976</u>	<u>\$ 364,873</u>	<u>\$ 544,369</u>
Liabilities:				
Payroll Deductions & Withholdings	\$ 9,444	\$ -	\$ -	\$ 9,444
Due to Other Funds	243,045	-	243,045	-
Due to Other Governments	2,169	17	-	2,186
Due to Student Groups	477,188	56,930	1,379	532,739
Accrued Expenses	420	-	420	-
Total Liabilities	<u>\$ 732,266</u>	<u>\$ 56,947</u>	<u>\$ 244,844</u>	<u>\$ 544,369</u>

DONNA ISD
COMBINING STATEMENT OF NET POSITION
PRIVATE PURPOSE TRUST FUNDS
AUGUST 31, 2017

	801 DISD Fine Arts Scholarship	802 REACH Scholarship	806 Scholarship Fund	807 Admin Scholarship Fund
ASSETS				
Cash and Cash Equivalents	\$ 128	\$ 1,957	\$ 3,873	\$ 40,420
Total Assets	<u>128</u>	<u>1,957</u>	<u>3,873</u>	<u>40,420</u>
LIABILITIES				
Accounts Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Student Groups	128	1,957	3,873	40,420
Total Liabilities	<u>128</u>	<u>1,957</u>	<u>3,873</u>	<u>40,420</u>
NET POSITION				
Restricted for Scholarships	-	-	-	-
Restricted for Other Purposes	-	-	-	-
Total Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

808 School Board Scholarship Fund	809 Chisholm Trial Festiva Scholarship	836 Rosita Alcorn Scholarship	Total Private Purpose Trust Funds
\$ -	\$ 1,500	\$ 3,769	\$ 51,647
-	1,500	3,769	51,647
500	-	-	500
3,479	-	-	3,479
(3,979)	1,500	-	43,899
-	1,500	-	47,878
-	-	2,769	2,769
-	-	1,000	1,000
\$ -	\$ -	\$ 3,769	\$ 3,769

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OTHER SUPPLEMENTARY INFORMATION

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DONNA ISD
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2017

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ Various
2009	1.040000	0.160000	894,315,675
2010	1.040000	0.160000	899,615,267
2011	1.170000	0.007900	967,480,534
2012	1.170000	0.088200	1,010,956,895
2013	1.170000	0.088200	1,021,676,581
2014	1.170000	0.088200	1,038,735,273
2015	1.170000	0.088200	1,157,884,013
2016	1.170000	0.088200	1,148,531,241
2017 (School year under audit)	1.170000	0.088200	1,236,680,522
1000 TOTALS			

(10) Beginning Balance 9/1/2016		(20) Current Year's Total Levy		(31) Maintenance Collections		(32) Debt Service Collections		(40) Entire Year's Adjustments		(50) Ending Balance 8/31/2017	
\$	1,204,452	\$	-	\$	64,657	\$	7,260	\$	(31,350)	\$	1,101,185
	150,343		-		10,744		1,653		(3,928)		134,018
	164,160		-		13,126		89		(4,196)		146,749
	201,866		-		22,745		1,715		(4,712)		172,694
	238,640		-		55,144		4,157		4,692		184,031
	294,888		-		103,199		7,780		13,819		197,728
	355,629		-		125,175		9,436		24,329		245,347
	578,110		-		232,030		17,492		28,207		356,795
	1,107,197		-		483,122		36,420		(14,476)		573,179
	-		15,236,606		12,934,334		975,049		(132,700)		1,194,523
<u>\$</u>	<u>4,295,285</u>	<u>\$</u>	<u>15,236,606</u>	<u>\$</u>	<u>14,044,276</u>	<u>\$</u>	<u>1,061,051</u>	<u>\$</u>	<u>(120,315)</u>	<u>\$</u>	<u>4,306,249</u>

DONNA ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2017

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	\$ 1,133,182	\$ 1,133,182	\$ 1,149,907	\$ 16,725
5800	State Program Revenues	3,662,238	3,662,238	6,156,533	2,494,295
5020	Total Revenues	4,795,420	4,795,420	7,306,440	2,511,020
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	5,665,000	5,665,000	5,814,998	(149,998)
0072	Interest on Long Term Debt	3,458,984	3,458,984	2,943,637	515,347
0073	Bond Issuance Cost and Fees	15,000	15,000	186,248	(171,248)
6030	Total Expenditures	9,138,984	9,138,984	8,944,883	194,101
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,343,564)	(4,343,564)	(1,638,443)	2,705,121
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	-	7,595,000	7,595,000
7915	Transfers In	3,650,457	(1)	-	1
7916	Premium or Discount on Issuance of Bonds	-	-	795,374	795,374
8940	Payment to Bond Refunding Escrow Agent (Use)	-	-	(8,213,137)	(8,213,137)
7080	Total Other Financing Sources (Uses)	3,650,457	(1)	177,237	177,238
1200	Net Change in Fund Balances	(693,107)	(4,343,565)	(1,461,206)	2,882,359
0100	Fund Balance - September 1 (Beginning)	8,371,761	8,371,761	8,371,761	-
1300	Prior Period Adjustment(s)	(11,256)	(11,256)	(11,256)	-
3000	Fund Balance - August 31 (Ending)	\$ 7,667,398	\$ 4,016,940	\$ 6,899,299	\$ 2,882,359

STATISTICAL SECTION OVERVIEW

(Unaudited)

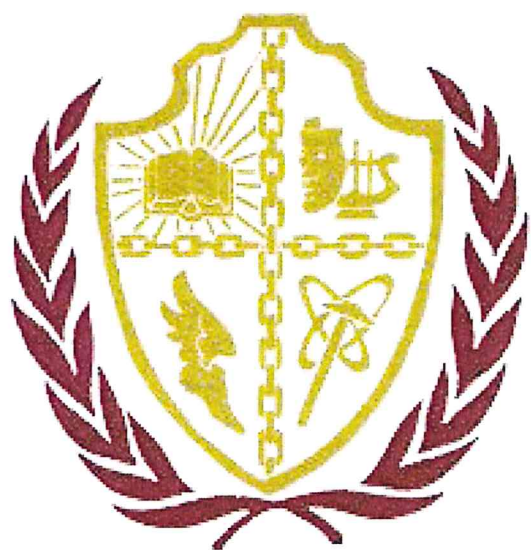
The Statistical Section of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<u>CONTENTS</u>	<u>PAGE</u>
Financial Trends Information	
<i>These schedules contain information to help the reader understand how the District's financial performance has changed over time.</i>	101 - 107
Revenue and Expenditure Capacity	
<i>This section contains schedules that provide information about the District's most significant major own-source revenue, which is property taxes, and the factors that impact the District's ability to generate such revenue.</i>	111 - 117
Debt Capacity Information	
<i>These schedules contain information to help the reader assess the affordability of the District's current levels of outstanding debt, the District's ability to repay the debt, and the District's ability to issue additional debt in the future.</i>	120 - 133
Demographic and Economic Information	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</i>	136 - 138
Operating Information	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial reports relates to the services the District provides and activities it performs.</i>	140 - 146

SOURCES

Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year. The District implemented GASB Statement No. 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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FINANCIAL TRENDS INFORMATION

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SCHEDULE 1
DONNA INDEPENDENT SCHOOL DISTRICT
NET POSITION BY COMPONENT

LAST TEN YEARS

(Unaudited)

Governmental Activities

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2008	55,142,321	2,697,172	18,992,220	76,831,713
2009	61,919,917	3,222,783	19,216,127	84,358,827
2010	68,706,785	2,236,837	38,242,954	109,186,576
2011	30,391,064	58,937,880	45,796,966	135,125,910
2012	74,864,776	38,562,529	40,866,491	154,293,796
2013	106,407,127	989,488	56,514,620	163,911,235
2014	118,040,932	3,251,004	48,285,898	169,577,834
2015	133,659,906	2,921,505	17,721,993	154,303,404
2016	127,444,937	10,252,062	27,453,797	165,150,796
2017	94,224,776	13,496,375	20,560,236	128,281,387

Source: The District's Statement of Net Position (Exhibit A-1)

SCHEDULE 2
DONNA INDEPENDENT SCHOOL DISTRICT
GOVERNMENTAL ACTIVITIES EXPENSES & PROGRAM REVENUES

LAST TEN YEARS

(Unaudited)

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental Activities:				
Instruction	\$ 73,564,961	\$ 77,920,193	\$ 86,639,759	\$ 86,326,231
Instructional Resources & Media Services	2,316,145	2,155,817	2,411,943	2,220,169
Curriculum & Staff Development	2,164,097	2,986,891	2,660,923	2,874,356
Instructional Leadership	2,927,012	3,590,789	2,791,505	2,956,089
School Leadership	5,114,758	5,892,075	5,911,981	5,825,824
Guidance, Counseling & Evaluation Services	4,596,597	4,999,818	5,461,383	5,494,943
Social Work Services	794,676	976,856	779,665	681,714
Health Services	1,589,003	1,636,355	1,632,190	2,025,251
Student (Pupil) Transportation	3,552,747	3,928,291	3,498,225	3,713,419
Food Services	9,604,584	9,140,238	9,137,831	9,064,614
Cocurricular/Extracurricular Activities	2,863,382	3,225,149	3,109,095	3,063,751
General Administration	4,529,401	4,487,311	3,651,431	3,613,924
Facilities Maintenance & Operations	14,596,026	15,528,270	14,238,763	13,343,828
Security & Monitoring Services	2,145,077	2,404,411	1,962,748	1,820,604
Data Processing Services	1,276,971	1,285,458	1,274,017	1,236,943
Community Service & ESC (62)	1,004,604	1,061,136	1,133,760	1,057,036
Debt Service - Interest on Long Term Debt	4,560,763	3,566,711	3,304,577	6,225,016
Debt Service - Bond Issuance Cost and Fees	-	-	-	-
Facilities Acquisition and Construction	-	-	-	-
Payments to Juvenile Justice Alternative Ed. Prg.	113,760	-	8,927	113,760
Total Governmental Activities	137,314,564	144,785,769	149,608,723	151,657,472
Program Revenues				
Charges for Services				
Instruction	469,302	281,798	7,375	5,375
Instructional Resources and Media Services	9,578	10,437	-	-
Curriculum and Instructional Staff Development	9,578	10,437	-	-
Instructional Leadership	9,578	15,655	-	-
School Leadership	47,888	20,874	-	-
Guidance, Counseling and Evaluation Services	28,733	20,874	-	-
Social Work Services	-	5,218	-	-
Health Services	9,578	5,218	47,590	-
Student (Pupil) Transportation	28,733	15,655	-	91,265
Food Services	366,215	319,204	330,939	341,893
Extracurricular Activities	192,885	84,575	96,467	78,787
General Administration	162,819	15,655	216,284	219,238
Facilities Maintenance and Operations	158,547	85,199	152,172	-
Security and Monitoring Services	19,155	10,437	-	-
Data Processing Services	9,578	5,218	-	-
Community Services & ESC (62)	1,804	-	30,284	-
Debt Service - Interest on Long Term Debt	-	-	-	-
Operating Grants and Contributions	30,402,572	33,698,369	45,690,295	56,434,151
Total Governmental Activities	31,926,543	34,604,823	46,571,406	57,170,709
Program Revenues				
Net Governmental Activities				
Revenue/(Expense)	\$(105,388,021)	\$(110,180,946)	\$(103,037,317)	\$(94,486,763)

Source: The District's Statement of Activities (Exhibit B-1)

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 77,300,681	\$ 81,972,747	\$ 87,387,522	\$ 96,168,387	\$ 106,880,247	\$ 100,279,869
2,029,449	2,341,117	2,449,631	2,724,239	2,572,520	2,692,165
2,413,753	2,411,339	2,646,150	3,074,859	2,998,637	3,366,957
2,954,997	2,720,745	2,431,218	2,828,873	3,001,216	3,206,101
5,831,746	6,915,932	6,720,242	7,596,144	7,744,313	7,775,839
5,195,801	5,562,415	6,133,190	6,188,167	6,617,835	6,389,294
824,204	922,422	1,113,654	1,334,917	1,228,680	1,100,464
1,877,525	2,059,341	2,046,147	2,062,011	2,517,433	2,539,540
3,831,318	4,408,911	4,379,595	4,817,662	6,074,153	6,306,057
9,567,517	10,804,179	10,600,019	11,911,922	12,596,022	12,503,742
2,989,869	5,307,959	5,709,568	6,571,489	6,198,459	6,841,449
5,723,605	7,562,423	4,532,916	5,628,202	6,639,663	6,116,071
13,312,712	13,612,836	14,612,182	15,975,999	16,446,936	15,666,704
1,738,595	2,046,844	2,411,637	2,670,271	3,144,522	3,096,049
1,439,788	1,605,700	1,470,093	1,608,877	2,620,196	3,172,912
1,063,861	1,153,400	1,169,832	1,382,778	1,459,340	1,430,301
5,401,040	4,540,986	3,854,612	3,694,105	2,670,917	1,561,959
-	-	8,463	227,032	207,993	186,248
-	-	1,606	-	-	-
4,661	46,215	7,224	26,746	15,737	9,976
143,501,122	155,995,511	159,685,501	176,492,680	191,634,819	184,241,697
140,631	101,082	66,834	99,003	361,272	7,750
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
320,851	277,714	282,128	270,549	225,027	241,464
130,930	162,165	118,853	147,426	185,405	155,183
46,077	29,646	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
41,122,929	37,169,647	36,092,850	40,434,599	48,446,740	41,273,927
41,761,418	37,740,254	36,560,665	40,951,577	49,218,444	41,678,324
\$(101,739,704)	\$(118,255,257)	\$(123,124,836)	\$(135,541,103)	\$(142,416,375)	\$(142,563,373)

SCHEDULE 3
DONNA INDEPENDENT SCHOOL DISTRICT
GENERAL REVENUES AND CHANGES IN NET POSITION

LAST TEN YEARS

(Unaudited)

	Fiscal Year				
	2008	2009	2010	2011	2012
Net Governmental Activities					
Revenue /(Expense)	\$ (105,388,021)	\$ (110,180,946)	\$ (103,037,317)	\$ (94,486,763)	\$ (101,739,704)
General Revenues and Changes in Net Position:					
Property Taxes - M&O	8,479,104	10,088,753	10,585,331	11,173,904	11,496,760
Property Taxes - Debt Service	1,122,097	1,316,169	65,498	726,431	770,508
State Aid	86,318,184	90,970,002	104,141,565	106,933,453	98,575,441
Grants & Contributions not Restricted	13,111,225	12,717,637	11,184,701	497,758	9,003,877
Investment Earnings	521,662	200,140	56,504	383,187	112,235
Special - Premium new bond	211,485	2,159,807	142,157	1,930	-
Special Item - (use)	-	(1,099,962)	-	-	-
Transfer In (Out)	-	-	-	-	-
Miscellaneous Local and Intermediate Revenue	888,457	532,521	960,187	709,434	948,769
Total General Revenues	110,652,214	116,885,067	127,135,943	120,426,097	120,907,590
Change in Net Position	\$ 5,264,193	\$ 6,704,121	\$ 24,098,626	\$ 25,939,334	\$ 19,167,886

Source: The District's Statement of Activities (Exhibit B-1)

Fiscal Year				
2013	2014	2015	2016	2017
\$ (118,255,257)	(123,124,836)	(135,541,103)	(142,416,375)	(142,563,373)
11,618,705	11,474,974	13,073,525	13,138,458	14,060,899
799,521	874,962	987,689	989,969	1,069,810
103,612,874	110,937,658	122,028,788	121,682,893	121,757,504
9,782,208	3,971,165	3,969,831	8,238,432	9,433,632
83,837	60,972	44,280	194,183	356,753
-	-	-	-	-
2,498	-	-	-	-
-	-	708,523	-	-
1,045,009	1,471,704	1,373,592	874,304	205,855
126,944,652	128,791,435	142,186,228	145,118,239	146,884,453
\$ 8,689,395	\$ 5,666,599	\$ 6,645,125	\$ 2,701,864	\$ 4,321,080

SCHEDULE 4
DONNA INDEPENDENT SCHOOL DISTRICT
FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN YEARS

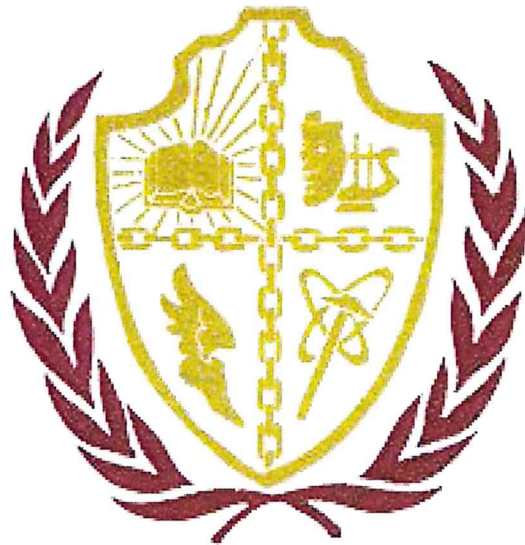
(Unaudited)

	2008	2009	2010	2011	2012
General Fund					
PRE GASB 54					
<i>Reserved Fund Balances:</i>					
Investments in Inventory	\$ 508,396	\$ 598,937	\$ 689,410	\$ -	\$ -
<i>Unreserved Designated For:</i>					
Claims and Judgments	1,441,035	-	-	-	-
<i>Unreserved and Undesignated:</i>					
Reported in the General Fund	6,885,694	6,705,054	24,664,646	-	-
POST GASB 54					
<i>Nonspendable:</i>					
Investments in Inventory	-	-	-	514,417	483,272
<i>Restricted:</i>					
Restricted - Federal or State Funds Grant Restriction	-	-	-	-	-
<i>Assigned:</i>					
Assigned for Construction	-	-	-	10,000,000	19,500,000
<i>Unassigned:</i>					
Reported in the General Fund	-	-	-	32,697,987	29,000,803
Total General Fund Balance	8,835,125	7,303,991	25,354,056	43,212,404	48,984,075
All Other Governmental Funds					
PRE GASB 54					
<i>Reserved, Reported In:</i>					
Special Revenues					
Retirement of Long-Term Debt	1,212,268		869,162	-	-
Other Purposes	852,604	749,314	456,094	-	-
Debt Service					
Retirement of Long Term Debt	-	1,707,399	-	-	-
Capital Projects					
Other Purposes	-	-	-	-	-
<i>Unreserved and Undesignated:</i>					
Reported in the General Fund	-	-	-	-	-
Reported in the Capital Projects funds	-	-	-	-	-
Reported in Special Revenue funds	123,904	167,133	222,171	-	-
POST GASB 54					
Special Revenues					
<i>Unassigned:</i>					
Federal or State Funds Grant Restriction	-	-	-	274,461	244,696
Debt Service					
<i>Restricted:</i>					
Retirement of Long-Term Debt	-	-	-	660,980	683,308
Other Funds					
<i>Restricted:</i>					
Restricted - Federal or State Funds Grant Restriction	-	-	-	-	-
Capital Projects					
<i>Restricted:</i>					
Other Purposes	-	-	-	456,094	-
<i>Assigned:</i>					
Other Assigned Fund Balance	-	-	-	47,031,928	17,651,253
Total All Other Governmental Fund Balance	2,188,776	2,623,846	1,547,427	48,423,463	18,579,257
Total Government Funds -- Fund Balance	\$ 11,023,901	\$ 9,927,837	\$ 26,901,483	\$ 91,635,867	\$ 67,563,332
Governmental Funds					
Beginning Fund Balance	\$ 12,357,212	\$ 11,023,901	\$ 9,927,837	\$ 26,901,483	\$ 91,635,867
Net Change in Fund Balance	(1,333,311)	(1,096,064)	16,973,646	64,734,384	(24,072,535)
Ending Balance	\$ 11,023,901	\$ 9,927,837	\$ 26,901,483	\$ 91,635,867	\$ 67,563,332

Source: The District's Governmental Funds Balance Sheets (Exhibit C-1) and Combined Statements of Revenues, Expenditures and changes in Fund Balances (Exhibit C-3 for fiscal years 2005-2013 & 2015-2017) (Exhibit C-2 for fiscal year 2014) .

2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
545,389	493,935	505,295	516,655	523,010
-	1,873,005	1,415,420	1,450,645	5,985,581
2,500,000	2,500,000	-	-	-
44,440,834	40,604,942	41,962,571	48,482,280	45,799,463
47,486,223	45,471,882	43,883,286	50,449,580	52,308,054
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
239,044	(23,831)	-	-	-
1,133,673	1,018,643	1,013,273	8,371,761	6,899,299
-	359,356	359,356	429,656	477,638
-	-	-	-	-
-	-	-	-	-
1,372,717	1,354,168	1,372,629	8,801,417	7,376,937
\$ 48,858,940	\$ 46,826,050	\$ 45,255,915	\$ 59,250,997	\$ 59,684,991
\$ 67,563,332	\$ 48,858,940	\$ 46,826,050	\$ 45,255,915	\$ 59,250,996
(18,704,392)	(2,032,890)	(1,570,135)	13,995,384	433,995
\$ 48,858,940	\$ 46,826,050	\$ 45,255,915	\$ 59,251,299	\$ 59,684,991

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REVENUE AND EXPENDITURE CAPACITY

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SCHEDULE 5
DONNA INDEPENDENT SCHOOL DISTRICT
GOVERNMENTAL FUND REVENUES BY SOURCE

LAST TEN YEARS

(Unaudited)

Fiscal Year	Local and Intermediate Sources			State Programs			Federal Programs	Total
	Property Tax	Tuition	Other	Per Capita and Foundation	On-behalf TRS Payments	Other		
2008	10,051,156	9,000	3,002,172	81,638,011	5,110,289	16,372,248	26,671,950	142,854,826
2009	10,777,546	6,900	1,901,665	85,060,725	5,623,821	16,929,149	29,731,099	150,030,905
2010	11,219,664	7,375	2,094,438	97,051,412	5,787,869	15,405,161	42,672,836	174,238,755
2011	11,480,135	5,375	1,989,906	95,176,438	5,816,758	18,694,832	44,177,334	177,340,778
2012	12,452,116	2,400	1,741,876	98,575,441	5,628,921	10,528,579	33,932,604	162,861,937
2013	12,824,144	12,145	1,705,761	103,612,874	5,850,791	10,777,220	30,305,391	165,088,326
2014	12,880,563	13,075	1,947,540	110,937,658	6,560,608	3,803,029	29,739,477	165,881,950
2015	14,714,949	7,875	1,773,229	114,156,918	11,552,833	9,968,225	30,755,241	182,929,271
2016	13,256,209	8,450	2,869,110	119,125,645	12,526,382	13,641,489	29,616,401	191,043,686
2017	14,023,916	7,750	2,936,865	121,757,504	6,592,616	7,064,934	35,192,162	187,575,747

Source: The District's Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balances (Exhibit C-3 for fiscal years 2005-2013 & 2015-2017)(Exhibit C-2 for fiscal year 2014); and Notes to Financial Statements.

SCHEDULE 6
DONNA INDEPENDENT SCHOOL DISTRICT
GOVERNMENTAL FUND EXPENDITURES BY FUNCTION

LAST TEN YEARS

(Unaudited)

Fiscal Year	Instruction and Instructional - Related Services	Instructional and School Leadership	Support Services - Student (Pupil)	Administrative Support Services	Support Services - Nonstudent Based	Auxiliary Services
2008	78,084,211	8,082,193	23,463,385	4,606,416	18,030,622	1,044,343
2009	82,211,458	9,362,041	23,739,684	4,501,329	19,375,063	1,070,966
2010	90,285,205	8,605,179	24,000,770	4,782,368	19,025,831	1,126,855
2011	90,021,057	8,696,197	23,976,810	3,988,533	16,055,942	1,051,149
2012	79,886,795	8,791,688	24,718,765	4,288,074	16,124,951	1,057,368
2013	84,282,314	9,571,780	29,371,087	4,326,972	16,778,409	1,146,446
2014	90,593,266	8,786,027	31,164,768	4,344,061	18,369,195	1,140,617
2015	97,496,719	9,838,439	26,829,720	5,322,424	24,113,156	2,859,253
2016	100,910,637	10,258,852	27,941,413	6,349,092	24,872,507	3,930,697
2017	97,654,075	10,522,008	26,658,716	5,920,504	24,852,552	3,897,173

Source: The District's Annual Financial Report - Governmental Funds Statements of Revenues, Fund Expenditures, and Changes in Balances (Exhibit C-3 for fiscal years 2005-2013 & 2015-2017) (Exhibit C-2 for fiscal year 2014).

Note: Operating expenditures excludes capital outlay (Function 81)

Debt Service Principal	Debt Service Interest	Capital Outlay	Inter- Governmental Charges	Total Governmental Fund Expenditures	Ratio of Debt Service to Operating Expenditures
4,331,488	3,540,155	4,334,231	113,760	145,630,804	4.63%
5,016,543	3,464,357	10,066,605	-	158,808,046	4.00%
4,797,355	3,982,756	1,666,800	8,927	158,282,046	5.94%
6,523,490	4,900,822	9,689,184	113,760	165,016,944	7.95%
6,708,083	4,479,312	40,905,577	4,661	186,965,274	8.30%
6,978,782	3,824,867	29,652,967	46,215	185,979,839	7.43%
6,282,311	3,927,391	5,237,617	7,224	169,852,477	6.61%
7,964,400	3,629,283	3,499,258	26,746	181,579,398	6.96%
7,055,475	3,270,099	6,804,193	15,738	191,408,703	5.93%
7,554,195	3,171,232	2,682,997	9,976	182,923,428	6.33%

SCHEDULE 7
DONNA INDEPENDENT SCHOOL DISTRICT
GOVERNMENTAL FUNDS OTHER SOURCES, USES
AND CHANGES IN FUND BALANCES

LAST TEN YEARS

(Unaudited)

	2008	2009	2010	2011	2012
Excess of Revenues Over (Under) Expenditures	\$ (2,775,978)	\$ (8,777,141)	\$ 15,956,709	\$ 12,323,834	\$ (24,103,337)
Other Financing Sources (Uses)					
Issuance of Bonds	-	-	-	-	-
Capital-Related Debt Issued	9,165,000	-	-	59,945,000	8,630,000
Capital Leases	1,405,466	5,568,376	622,078	-	-
Prepaid Interest	65,862	-	-	-	-
Sale of Real and Personal Property	-	-	-	-	-
Non-Current Loans	-	-	-	-	-
Transfers In	-	-	40,000	-	1,850,000
Insurance Recovery	-	-	142,157	1,930	-
Premium or Discount on Issuance of Bonds	-	-	-	1,192,957	904,685
Other Resources	145,623	2,159,807	-	-	-
Transfers Out	-	-	(40,000)	-	(1,850,000)
Non Operating Expenses	-	-	-	-	-
Other Uses	(9,165,000)	-	-	(8,565,118)	(9,392,852)
Total Other Financing Sources (Uses)	1,616,951	7,728,183	764,235	52,574,769	141,833
Special Items	-	-	-	-	-
Net Change in Fund Balances	\$ (1,159,027)	\$ (1,048,958)	\$ 16,720,944	\$ 64,898,603	\$ (23,961,504)

Source: The District's Governmental Funds Balance Sheets and Combined Statements of Revenues, Expenditures and Changes in Fund Balances (Exhibit C-3 for fiscal years 2005-2013 & 2015-2017) (Exhibit C-2 for fiscal year 2014).

2013	2014	2015	2016	2017
\$ (20,891,513)	\$ (3,970,527)	\$ 1,409,873	\$ (365,017)	\$ 4,652,319
-	-	-	-	7,595,000
7,150,000	-	12,390,000	-	-
773,493	2,937,637	2,635,015	-	-
-	-	-	-	-
-	-	16,003	-	13,036
1,391,191	-	-	8,066,551	-
6,812,185	7,348,514	3,800,000	500,000	-
-	-	-	-	-
542,817	-	949,336	-	795,374
-	-	-	-	-
(6,812,185)	(8,348,514)	(9,635,000)	(2,351,980)	(3,703,731)
-	-	-	-	-
(7,512,617)	-	(13,135,376)	-	(8,213,137)
2,344,884	1,937,637	(2,980,022)	6,214,571	(3,513,458)
-	-	14	-	-
\$ (18,546,629)	\$ (2,032,890)	\$ (1,570,135)	\$ 5,849,554	\$ 1,138,861

SCHEDULE 8
DONNA INDEPENDENT SCHOOL DISTRICT
GOVERNMENTAL FUND EXPENDITURES BY FUNCTION
PER AVERAGE DAILY ATTENDANCE

LAST TEN YEARS

(Unaudited)

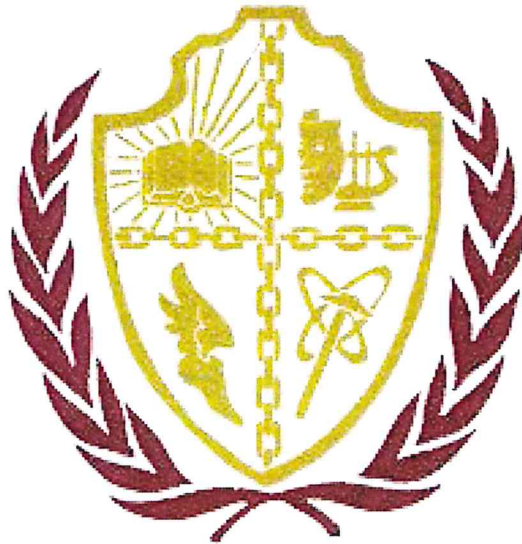
Fiscal Year	Average Daily Attendance *	Instruction and Instructional Related Services	Instructional and School Leadership	Support Services Student (Pupil)	Administrative Support Services	Support Services Nonstudent Based
2008	13,438	5,811	601	1,746	343	1,342
2009	13,859	5,932	676	1,713	325	1,398
2010	14,175	6,369	607	1,693	337	1,342
2011	14,306	6,293	608	1,676	279	1,122
2012	13,785	5,795	638	1,793	311	1,170
2013	13,941	6,046	687	2,107	310	1,204
2014	14,203	6,378	619	2,194	306	1,293
2015	14,182	6,875	694	1,892	375	1,700
2016	14,220	7,096	721	1,965	446	1,749
2017	14,154	6,899	743	1,883	418	1,756

Source: Average Daily Attendance provided by the District's PEIMS and A.E.I.S. reports. Function expenditures are from the Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balances (Exhibit C-3 for fiscal years 2005-2013 & 2015-2017) (Exhibit C-2 for fiscal year 2014-2015).

Note: * Average Daily Attendance - the average daily attendance of eligible enrollees, district-wide, over the official number of instructional days.

Ancillary Services	Debt Service Principal	Debt Service Interest and Other	Capital Outlay	Inter- Governmental Charges	Total
78	322	263	323	8	10,837
77	362	250	726	-	11,459
79	338	281	118	1	11,166
73	456	343	677	8	11,535
77	487	325	2,967	-	13,563
82	501	274	2,127	3	13,340
80	442	277	369	1	11,959
202	562	256	247	2	12,804
276	496	230	478	1	13,461
275	534	224	190	1	12,924

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DEBT CAPACITY INFORMATION

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SCHEDULE 9
DONNA INDEPENDENT SCHOOL DISTRICT
ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY

LAST TEN YEARS

(Unaudited)

Fiscal Year	Assessed Taxable Value			Estimated Actual Market Value	Ratio of Total Assessed To Total Estimated Actual Value	*Total Direct Tax Rate
	Real Property	Personal Property	Total			
2008	867,597,781	95,193,279	962,791,060	1,235,363,636	77.94%	1.200000
2009	1,011,896,280	98,890,492	1,110,786,772	1,527,949,702	72.70%	1.200000
2010	1,037,839,373	93,463,676	1,131,303,049	1,551,657,766	72.91%	1.177900
2011	1,202,480,951	89,993,799	1,292,474,750	1,541,491,832	83.85%	1.258200
2012	1,262,532,049	88,453,799	1,350,985,848	1,617,194,609	83.54%	1.258200
2013	1,277,941,251	88,541,924	1,366,483,175	1,629,388,176	83.86%	1.258200
2014	1,303,693,450	90,062,105	1,393,755,555	1,650,616,629	84.44%	1.258200
2015	1,433,897,740	95,948,529	1,529,846,269	1,815,558,170	84.26%	1.258200
2016	1,513,838,292	89,746,558	1,603,584,850	1,883,969,328	85.12%	1.258200
2017	1,575,877,688	130,224,878	1,706,102,566	1,976,485,528	86.32%	1.258200

Source: Hidalgo County Appraisal District

* Per \$100 of assessed value

SCHEDULE 10
DONNA INDEPENDENT SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN YEARS

(Unaudited)

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2008	9,551,595	8,325,034	87.16%	1,584,798	9,909,832	103.75%	6,298,074	65.94%
2009	11,244,495	9,899,777	88.04%	1,106,006	11,005,783	97.88%	6,675,911	59.37%
2010	11,202,344	9,765,659	87.18%	1,558,733	11,324,392	101.09%	5,946,949	53.09%
2011	11,758,170	10,362,750	88.13%	1,283,486	11,646,236	99.05%	5,951,578	50.62%
2012	12,337,441	11,055,434	89.61%	1,404,764	12,460,198	100.99%	5,718,284	46.35%
2013	12,462,349	11,362,097	91.17%	1,462,047	12,824,144	102.90%	5,267,265	42.27%
2014	12,715,480	11,902,563	93.61%	1,597,113	13,499,676	106.17%	4,677,860	36.79%
2015	14,195,490	13,198,549	92.98%	1,516,562	14,715,111	103.66%	4,122,138	29.04%
2016	14,098,249	13,259,351	94.05%	1,004,458	14,263,809	101.17%	4,036,285	28.63%
2017	15,236,606	14,044,276	92.17%	1,061,051	15,105,327	99.14%	4,306,249	28.26%

Source: Donna Independent School District Annual Financial and Compliance Reports (Exhibit J-1)/Hidalgo County Tax Assessor-Collector

Note (1): The tax levy shown above is the adjusted tax levy as of the fiscal year end.

Note (2): Total Tax Collections include only the taxes collected for current and prior year. Penalty charges and interest are not included in Total Tax Collections.

SCHEDULE 11
DONNA INDEPENDENT SCHOOL DISTRICT
ALLOCATION OF PROPERTY TAX RATES AND LEVIES

LAST TEN YEARS

(Unaudited)

Fiscal Year	Tax Rates (Per \$100 of Assessed Value)			Tax Levies		
	General Fund	Debt Service Fund	Total	General Fund	Debt Service Fund	Original Levy Total
2008	1.040000	0.160000	1.200000	8,446,079	1,105,516	9,551,595
2009	1.040000	0.160000	1.200000	9,747,408	1,497,087	11,244,495
2010	1.170000	0.007900	1.177900	10,918,701	283,643	11,202,344
2011	1.170000	0.088200	1.258200	10,904,852	853,318	11,758,170
2012	1.170000	0.088200	1.258200	11,445,777	891,664	12,337,441
2013	1.170000	0.088200	1.258200	11,588,737	873,612	12,462,349
2014	1.170000	0.088200	1.258200	11,824,123	891,357	12,715,480
2015	1.170000	0.088200	1.258200	13,200,386	995,104	14,195,490
2016	1.170000	0.088200	1.258200	13,109,962	1,000,976	14,098,249
2017	1.170000	0.088200	1.258200	14,168,520	1,081,799	15,236,606

Source: Donna Independent School District Annual Financial and Compliance Reports

Note: The basis for the property tax rate is \$100 assessed valuation.

SCHEDULE 12
DONNA INDEPENDENT SCHOOL DISTRICT
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$100 ASSESSED VALUATION)

LAST TEN YEARS

(Unaudited)

Fiscal Year	Tax Year	Direct Tax Rate	Overlapping Tax Rates						Total Direct and Overlapping Tax Rate
		Donna Independent School District	South Texas ISD	City of Donna	Donna Water District #1	Hidalgo County	Drainage District #1	South Texas College	
2008	2007	1.200000	0.049200	0.989999	0.210000	0.590000	0.049200	0.154000	2.700527
2009	2008	1.200000	0.049200	0.989999	0.210000	0.590000	0.070000	0.149800	2.386577
2010	2009	1.177900	0.049200	1.038320	0.210000	0.590000	0.072500	0.149100	3.287020
2011	2010	1.258200	0.049200	1.125900	0.210000	0.590000	0.072500	0.149700	3.455500
2012	2011	1.258200	0.049200	1.252300	0.210000	0.590000	0.073300	0.150700	3.583700
2013	2012	1.258200	0.049200	1.252376	0.210000	0.590000	0.075000	0.150700	3.585476
2014	2013	1.258200	0.049200	1.252376	0.210000	0.590000	0.095700	0.150000	3.605476
2015	2014	1.258200	0.049200	0.982828	0.210000	0.590000	0.095100	0.185000	3.370328
2016	2015	1.258200	0.049200	0.923201	0.210000	0.590000	0.095100	0.185000	3.310701
2017	2016	1.258200	0.049200	0.798855	0.210000	0.580000	0.095100	0.185000	3.176355

Source: Hidalgo County Tax Assessor-Collector

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SCHEDULE 13
DONNA INDEPENDENT SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS PRIOR

(Unaudited)

Taxpayer	Type of Business	Fiscal Year 2017			Fiscal Year 2008		
		Tax Year 2016 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Tax Year 2007 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Wal-Mart Real Estate Business Trust	Retail	\$15,297,954	1	0.77%	\$ -		0.00%
MHC Victoria Palms LLC	RV Park - Hotel	12,813,655	2	0.65%	-		0.00%
Electric Transmission of Texas	Electric Utility	11,282,470	3	0.57%	-		0.00%
AEP Texas Central Co	Electric Utility	9,773,570	4	0.49%	5,215,510	4	0.42%
Wal Mart Property Tax Department	Retail	9,305,940	5	0.47%	-		0.00%
Palm Shadows Resort	RV Park - Hotel	5,000,000	6	0.25%	-		0.00%
Casa Del Sol Limited Partnership	RV Mobile Home Park	4,674,809	7	0.24%	-		0.00%
Tennessee Gas Pipeline	Gas Utility	4,477,080	8	0.23%	3,303,940	7	0.27%
W Silver Recycling Inc	Recycling Center	4,028,794	9	0.20%			0.00%
Wonderful Citrus Packing LLC	Retail	3,924,235	10	0.20%	-		0.00%
Arbor Cove LTD	Residential	-		0.00%	7,575,890	1	0.61%
Victoria Palms I LP	RV Park - Hotel	-		0.00%	6,986,538	2	0.57%
Southwestern Bell Tele	Telephone Utility	-		0.00%	6,778,250	3	0.55%
Ventex Operating Corp	Oil & Gas	-		0.00%	5,173,780	5	0.42%
BP America Production Co	Oil & Gas	-		0.00%	4,262,940	6	0.35%
South Texas Moulding, Inc	Retail	-		0.00%	3,212,981	8	0.26%
Magic Valley Elec Coop	Electricity Utility	-		0.00%	3,182,180	9	0.26%
Allied Waste North America, Inc	Waste Disposal	-		0.00%	3,034,409	10	0.25%
Totals		<u>\$80,578,507</u>		<u>4.08%</u>	<u>\$48,726,418</u>		<u>3.94%</u>

Source: Hidalgo County Appraisal District

SCHEDULE 14
DONNA INDEPENDENT SCHOOL DISTRICT
OUTSTANDING DEBT BY TYPE

LAST TEN YEARS

(Unaudited)

Fiscal Year	Bonds Payable	Notes Payable	Capital Lease Payable	Unamortized Bond Premium	Accreted Interest	Total Debt
2008	68,430,000	795,000	2,616,945	-	1,624,685	73,466,630
2009	65,215,000	680,000	6,498,748	-	1,723,884	74,117,632
2010	62,640,000	560,000	5,018,471	-	1,042,216	69,260,687
2011	110,080,000	435,000	3,079,981	-	1,087,195	114,682,176
2012	105,225,000	300,000	1,345,802	-	1,134,098	108,004,900
2013	100,215,000	1,079,176	727,529	2,550,111	1,528,040	106,099,856
2014	95,135,000	466,323	3,075,708	2,416,391	1,590,452	102,683,874
2015	89,045,000	-	4,160,563	3,232,007	1,655,275	98,092,845
2016	83,885,000	8,066,551	2,415,762	1,990,728	1,722,558	98,080,599
2017	77,265,000	7,354,761	1,317,507	3,355,121	396,276	89,688,665

Source: Donna Independent School District Annual Financial and Compliance Reports

* Note: See Estimated Actual Property Value and Average Daily Membership amounts in Demographic and Economic Information Schedule in Demographic and Economic Information section of this report.

<u>* Total Debt as % of Personal Income</u>	<u>* Total Debt Per Capita Income</u>	<u>* Ratio of Total Debt to Estimated Actual Property Value</u>	<u>* Total Debt Per Average Daily Membership</u>
0%	3,525	5.95%	5,244
0%	3,513	4.85%	5,096
0%	3,196	4.46%	4,661
1%	5,135	7.44%	7,644
1%	4,767	6.68%	7,247
1%	4,619	6.51%	6,946
1%	4,323	6.22%	6,916
0%	4,009	5.40%	6,390
0%	3,874	5.21%	6,396
0%	3,616	4.54%	6,088

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SCHEDULE 15
DONNA INDEPENDENT SCHOOL DISTRICT
DIRECT AND OVERLAPPING DEBT
GENERAL OBLIGATION BONDS

As of August 31, 2017

(Unaudited)

Political Subdivision	Net Debt Amounts		As of	Estimated Percentage Applicable	Estimated Share of Overlapping Debt	Net Taxable Value
Hidalgo County	\$ 211,290,000	A	08/21/17	4.71%	\$ 9,945,697	32,500,611,220
Hidalgo County Drainage District No. 1	129,300,000	A	09/22/17	4.81%	6,217,013	31,817,387,327
City of Donna	55,805,000	A	09/30/17	100.00%	55,805,000	547,324,665
South Texas College	152,496,000	A	09/30/17	4.63%	7,058,440	33,051,982,985
					<u>\$ 79,026,150</u>	
Donna ISD Direct Debt		B	08/31/17	100.00%	<u>\$ 89,688,665</u>	1,529,846,269
Total Direct and Overlapping Debt					<u><u>\$ 168,714,815</u></u>	
A - Municipal Advisory Council of Texas						
B - Long-Term Liabilities Note						

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and business of the District. This process recognizes that, when considering the District's ability to issue and repay long term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping governmental.

SCHEDULE 16
DONNA INDEPENDENT SCHOOL DISTRICT
COMPUTATION OF LEGAL DEBT MARGIN

LAST TEN YEARS

(Unaudited)

	2008	2009	2010	2011
Assessed Valuation	\$ 962,791,060	\$ 1,110,786,772	\$ 1,131,303,049	\$ 1,292,474,750
Debt Limit - 10% of Assessed Valuation	\$ 96,279,106	\$ 111,078,677	\$ 113,130,305	\$ 129,247,475
General Obligation Bonds	68,430,000	65,215,000	62,640,000	110,080,000
Deduct Amount Available in Debt Service Fund	1,212,268	1,707,399	869,162	660,980
Applicable Debt	67,217,732	63,507,601	61,770,838	109,419,020
Legal Debt Margin	\$ 29,061,374	\$ 47,571,076	\$ 51,359,467	\$ 19,828,455
Debt Margin as a Percentage of the Debt Limit	30.18%	42.83%	45.40%	15.34%

Source: Donna Independent School District Annual Financial and Compliance Reports: Assessed Valuation (Exhibit J-1); General Obligations Bonds (Notes to Financial Statements); and Debt Service Fund, Amount Available in Debt Service (Exhibit C-1).

Note: Texas statutes do not prescribe a debt limit; however, by custom, a practical economic debt limit of 10% of the assessed valuation is used.

2012	2013	2014	2015	2016	2017
\$ 1,350,985,848	\$ 1,366,483,175	\$ 1,393,755,555	\$ 1,529,846,269	\$ 1,603,584,850	\$ 1,706,102,566
\$ 135,098,585	\$ 136,648,318	\$ 139,375,556	\$ 152,984,627	\$ 160,358,485	\$ 170,610,257
105,225,000	100,215,000	95,135,000	89,045,000	83,885,000	77,265,000
683,308	713,237	1,018,643	1,013,273	8,371,761	6,899,299
104,541,692	99,501,763	94,116,357	88,031,727	75,513,239	70,365,701
\$ 30,556,892	\$ 37,146,555	\$ 45,259,199	\$ 64,952,900	\$ 84,845,246	\$ 100,244,556
22.62%	27.18%	32.47%	42.46%	52.91%	58.76%

SCHEDULE 17
DONNA INDEPENDENT SCHOOL DISTRICT
RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ESTIMATED ACTUAL VALUE AND
PER AVERAGE DAILY MEMBERSHIP

LAST TEN YEARS

(Unaudited)

Fiscal Year	Average Daily Membership	Estimated Actual Value	Total Bonded Debt	Debt Service Fund Balance	Net Bonded Debt	Ratio of Net Bonded Debt to Estimated Actual Value	Net Bonded Debt Per Average Daily Membership
2008	14,009	1,235,363,636	73,466,630	1,212,268	72,254,362	5.85%	5,157.71
2009	14,545	1,527,949,702	74,117,632	1,707,399	72,410,233	4.74%	4,978.36
2010	14,859	1,551,657,766	69,260,687	869,162	68,391,525	4.41%	4,602.70
2011	15,002	1,541,491,832	114,682,176	660,980	114,021,196	7.40%	7,600.40
2012	14,904	1,617,194,609	108,004,900	683,308	107,321,592	6.64%	7,200.86
2013	15,276	1,629,388,176	106,099,856	713,237	105,386,619	6.47%	6,898.84
2014	14,848	1,650,616,629	102,683,874	1,018,643	101,665,231	6.16%	6,847.07
2015	15,351	1,815,558,170	98,092,845	1,013,273	97,079,572	5.35%	6,323.99
2016	15,334	1,883,969,328	98,080,599	8,371,761	89,708,838	4.76%	5,850.32
2017	14,733	1,976,485,528	89,688,665	6,899,299	82,789,366	4.19%	5,619.31

Source: Average Daily Membership provided by the District's PEIMS Office. Estimated Actual Value obtained from the Hidalgo County Tax Assessor-Collector.

Note (1): Average Daily Membership represents the average daily enrollment of students, district-wide, over the official number of instructional days.

Note (2): Estimated actual property value and average daily membership are used because they are more relevant to the school district than personal income and population

SCHEDULE 18
DONNA INDEPENDENT SCHOOL DISTRICT
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT
TO TOTAL GENERAL FUND EXPENDITURES

LAST TEN YEARS

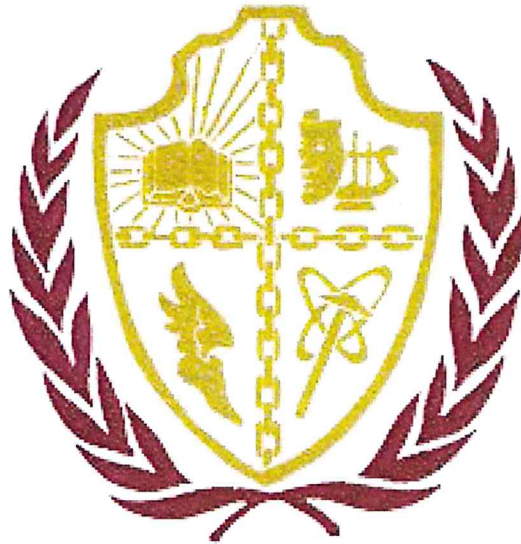
(Unaudited)

Fiscal Year	Principal	Interest*	Total Debt Service	Total General Fund Expenditures	Ratio of Debt Service To General Fund Expenditures
2008	4,331,488	3,540,155	7,871,643	114,116,487	6.90%
2009	5,016,543	3,464,357	8,480,900	127,083,239	6.67%
2010	4,797,355	3,982,759	8,780,114	114,338,882	7.68%
2011	6,523,490	4,900,822	11,424,312	112,835,006	10.12%
2012	6,708,083	4,479,312	11,187,395	125,212,435	8.93%
2013	6,978,782	4,255,232	11,234,014	135,452,557	8.29%
2014	6,282,311	3,918,928	10,201,239	143,841,864	7.09%
2015	7,964,400	3,629,283	11,593,683	153,823,458	7.54%
2016	7,055,475	3,270,099	10,325,574	164,081,358	6.29%
2017	7,554,195	3,171,232	10,725,427	155,268,904	6.91%

Source: Donna Independent School District Annual Financial and Compliance Reports

Note: * Excludes Other Fees

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DEMOGRAPHIC AND ECONOMIC INFORMATION

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SCHEDULE 19
DONNA INDEPENDENT SCHOOL DISTRICT
DEMOGRAPHIC INFORMATION

LAST TEN YEARS

(Unaudited)

Calendar Year	Population *	Personal Income *	Per Capita Income*	Average Daily Attendance	Unemployment Rate **
2008	736,694	15,353,037,000	20,840	12,839	7.8%
2009	757,468	15,979,708,000	21,096	13,859	11.6%
2010	779,194	16,886,696,000	21,672	14,175	12.2%
2011	795,303	17,761,750,000	22,333	14,306	12.1%
2012	807,725	18,301,724,000	22,658	13,785	11.1%
2013	818,942	18,810,847,000	22,970	13,941	10.5%
2014	831,073	19,740,566,000	23,753	14,203	9.1%
2015	842,304	20,702,876,000	24,579	14,182	7.8%
2016***	867,573	21,323,962,280	25,316	14,220	7.7%
2017	849,843	21,080,611,000	24,805	14,154	7.9%

Source: * Statistics for Population, Personal Income, and Per Capita Income, were taken from the Bureau of Economic Analysis based on the McAllen-Edinburg-Mission, TX Metropolitan Area (BEARFACTS) Based on Hidalgo County reports last updated November 16,2017.

** The unemployment rates for the McAllen-Edinburg-Mission, TX Metropolitan Area were used as reported by the Bureau of Labor Statistics

*** The information was not available by the time of printing. Therefore a 3% increase was added to the 2015 amounts.

SCHEDULE 20
DONNA INDEPENDENT SCHOOL DISTRICT
PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS PRIOR

(Unaudited)

Employer	2017 *			2008*		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Donna ISD	2,500	1	15.14%	2,202	1	16.10%
A&E Health Services, Inc.	568	2	3.44%			0.00%
Walmart	323	3	1.96%			
Idea Public Schools	10	4	0.06%			0.00%
HEB Food Store	115	5	0.70%	50	4	0.37%
City of Donna	100	6	0.61%	56	3	0.41%
Bland Distribution	100	7	0.61%			0.00%
Paramount Citrus	79	8	0.48%			0.00%
Victoria Palms Resort	71	9	0.43%	70	2	0.51%
McDonalds	60	10	0.36%	20	8	0.15%
Whataburger	58	11	0.35%	24	7	0.18%
Wells Fargo				11	9	0.08%
Burger King				10	10	0.07%
Rio Grande Container				30	5	0.22%
Rio Grande Canning Company				23	6	0.17%
Total	<u>3,984</u>		<u>24.01%</u>	<u>2,422</u>		<u>18.63%</u>

Source:

(1) *City of Donna EDC information and direct communication with employers.

(2) *Census.gov Est. Population is 16,518 and Unemployment Rate is 7.9%. Population x Unemployment Rate = Unemployed.

Population: July 1, 2016 estimate 16,518 increased by 4.9% for 2010 data.

Unemployed: 16,518 x 7.9%=1,305

SCHEDULE 21
DONNA INDEPENDENT SCHOOL DISTRICT
CONSTRUCTION AND PROPERTY VALUES

LAST TEN YEARS

(Unaudited)

Fiscal Year	Single-Family Construction Permits	Average Construction Value	Total Property Value
2008	71	51,500	1,235,363,636
2009	27	46,000	1,527,949,702
2010	30	58,900	1,551,657,766
2011	45	58,335	1,541,491,832
2012	49	59,230	1,617,194,609
2013	23	54,068	1,629,388,176
2014	25	54,756	1,650,616,629
2015	36	58,370	1,815,558,170
2016*	31	N/A	1,883,969,328
2017*	37	N/A	1,976,485,528

Source: City of Donna

* Information from socds.huduser.gov/permits/



OPERATING INFORMATION

Donna ISD.....

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SCHEDULE 22
DONNA INDEPENDENT SCHOOL DISTRICT
WORK FORCE COMPOSITION BY EMPLOYEE CLASSIFICATION

LAST TEN YEARS

(Unaudited)

Classification	2008	2009	2010	2011	2012
Number of Employees					
Teachers	929	982	995	999	941
Professional Support	193	218	196	202	200
Campus Administration	43	54	52	50	49
Central Administration	18	6	5	6	5
Educational Aides	352	328	310	239	229
Auxiliary Staff	922	928	769	773	857
Total Employees	2,458	2,516	2,326	2,269	2,280
Percent of Total					
Teachers	37.81%	39.04%	42.77%	44.02%	41.26%
Professional Support	7.86%	8.67%	8.42%	8.92%	8.76%
Campus Administration	1.75%	2.15%	2.23%	2.18%	2.15%
Central Administration	0.74%	0.24%	0.21%	0.26%	0.22%
Educational Aides	14.34%	13.02%	13.32%	10.55%	10.05%
Auxiliary Staff	37.50%	36.89%	33.05%	34.06%	37.57%
	100.00%	100.00%	100.00%	100.00%	100.00%

Source: The District's Human Resources Department and the Academic Excellence Indicator System (AEIS). Data taken from P.E.I.M.S. report(s).

2013	2014	2015	2016	2017
944	1,023	1,067	1,068	1,058
216	261	257	269	299
50	45	45	45	45
5	18	20	17	19
220	267	275	288	289
889	867	879	916	898
2,324	2,481	2,544	2,603	2,608
40.62%	41.23%	41.96%	41.03%	40.57%
9.29%	10.52%	10.10%	10.33%	11.46%
2.15%	1.81%	1.77%	1.73%	1.73%
0.22%	0.73%	0.79%	0.65%	0.73%
9.47%	10.76%	10.82%	11.06%	11.08%
38.25%	34.95%	34.56%	35.19%	34.43%
100.00%	100.00%	100.00%	100.00%	100.00%

SCHEDULE 23
DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF TEACHER INFORMATION

LAST TEN YEARS

(Unaudited)

Fiscal Year	Teacher Hiring Salaries		Average Teacher Salary	Average Years of Experience	Bachelor's Education	Master's Education
	Minimum	Maximum				
2008	36,650	51,500	43,040	8.9	89.3%	10.0%
2009	37,650	53,000	43,662	8.7	89.5%	8.8%
2010	40,000	56,475	46,748	8.8	89.0%	9.8%
2011	40,500	54,959	47,031	9.0	88.5%	10.6%
2012	40,500	54,244	46,363	8.8	88.1%	10.8%
2013	42,650	54,844	47,652	8.8	87.2%	11.8%
2014	43,000	54,876	48,117	7.9	86.2%	12.6%
2015	44,000	55,176	48,754	8.4	85.6%	13.0%
2016	45,500	56,676	49,025	8.7	86.5%	13.0%
2017	45,086	62,506	50,703	9.2	85.2%	13.9%

Source: Texas Academic Performance Reports (TAPR) FY 2013-2017 &
Academic Excellence Indicator System (AEIS) FY2006-2012

SCHEDULE 24
DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF ATTENDANCE AND MEMBERSHIP

LAST TEN YEARS

(Unaudited)

Fiscal Year	Average Daily Attendance *	Average Daily Membership	Percent of Attendance
2008	13,438	14,009	95.92%
2009	13,859	14,545	95.28%
2010	14,175	14,859	95.40%
2011	14,306	15,002	95.36%
2012	13,785	14,904	92.49%
2013	13,941	15,276	91.26%
2014	14,203	14,848	95.66%
2015	14,182	15,351	92.38%
2016	14,220	15,334	92.74%
2017	14,154	14,733	96.07%

Source: The District's PEIMS Office

* Average Daily Attendance - the average daily attendance of eligible enrollees, district-wide, over the official number of instructional days.

SCHEDULE 25
DONNA INDEPENDENT SCHOOL DISTRICT
OPERATING STATISTICS

LAST TEN YEARS

(Unaudited)

Fiscal Year	Average Daily Attendance	Operating Expenditures	Cost per Pupil	Percent Change	Operating Expenses	Cost per Pupil	Percent Change
2008	12,839	110,645,055	8,618	3.25%	132,640,041	10,331	1.61%
2009	13,859	115,164,390	8,310	-3.58%	141,219,058	10,190	-1.37%
2010	14,175	110,787,496	7,816	-5.95%	146,295,219	10,321	1.29%
2011	14,306	106,536,179	7,447	-4.72%	145,318,696	10,158	-1.58%
2012	13,785	115,765,601	8,398	12.77%	138,095,421	10,018	-1.38%
2013	13,941	127,656,743	9,157	9.04%	151,408,310	10,861	8.41%
2014	14,203	137,468,113	9,679	5.70%	155,813,596	10,970	1.01%
2015	14,182	147,921,208	10,430	7.76%	172,544,797	12,166	10.90%
2016	14,220	155,724,118	10,951	4.99%	188,740,172	13,273	9.09%
2017	14,154	150,795,387	10,654	-2.71%	182,483,514	12,893	-2.86%

Source: Average Daily Attendance provided by the District's PEIMS and A.E.I.S. reports.
Operating Expenditures and Expenses obtained from the District's Annual Financial Reports.

SCHEDULE 26
DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STUDENT INFORMATION

LAST TEN YEARS

(Unaudited)

Fiscal Year	Teacher / Student Ratio	Percentage of Free and Reduced Lunch	No. of Economically Disadvantaged Students	Percentage of Economically Disadvantaged Students
2008	15.0	89%	13,359	95.9%
2009	14.8	89%	13,964	95.9%
2010	14.9	89%	14,404	96.9%
2011	15.0	89%	14,571	97.0%
2012	15.9	89%	14,527	97.2%
2013	16.2	89%	14,818	97.0%
2014	15.0	100%	14,941	97.2%
2015	14.4	100%	12,502	81.6%
2016	14.3	100%	14,230	92.9%
2017	14.2	100%	14,095	93.7%

Source: Academic Excellence Indicator System (AEIS) & District's PEIMS office.

The District currently has Provision 2 status with Texas Department of Agriculture for the percentage of Free and Reduced Lunch.

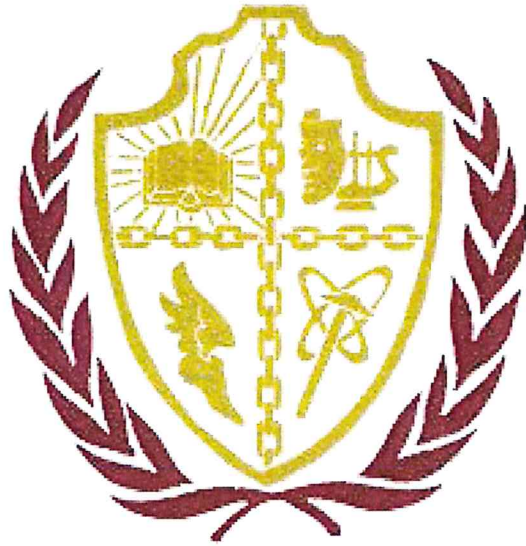
SCHEDULE 27
DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF SCHOOL BUILDINGS

(Unaudited)

	Estimated Square Footage	Recommended Capacity		Estimated Square Footage	Recommended Capacity
HIGH SCHOOLS			ELEMENTARY SCHOOLS		
DONNA HIGH SCHOOL	321,801	1,800	ADAME	86,069	880
DONNA NORTH HIGH SCHOOL	321,000	2,400	CACERES	57,390	704
TOTAL	642,801	4,200	GARZA	76,438	1,056
			GUZMAN	51,227	616
			LENOIR	86,733	528
MIDDLE SCHOOLS			MUNOZ	76,438	968
A.P. SOLIS	139,150	1,700	OCHOA	62,811	638
SAUCEDA	147,500	1,248	PRICE	52,752	575
VETERANS	149,872	1,300	RIVAS	59,396	616
W.A. TODD	118,099	825	RUNN	59,096	616
TOTAL	554,621	5,073	SALAZAR	63,663	682
			SALINAS	87,467	1,012
			SINGLETERRY	63,404	638
SPECIAL CAMPUSES			STAINKE	64,873	660
3-D ACADEMY	16,435	328	TOTAL	947,757	10,189
DONNA ALTERNATIVE ED. PROGRAM	19,571	165			
TOTAL	36,006	493			

Source: DISD Facilities School Building Information

Note: The information presented above is as of August 31, 2017 and are indicators of the volume and usage of the District's buildings, which are the material capital assets. Ten years of data is not available for presentation.



SINGLE AUDIT

Donna ISD.....

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

To the Board of Trustees
Donna Independent School District
Donna, Texas 78537

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Donna Independent School District (the "District") as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 24, 2018.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs referenced as item 2017-001 to be a material weakness.

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.

We consider the deficiencies described in the accompanying schedule of findings and questioned costs referenced as items 2017-002, 2017-003, 2017-004, 2017-005, and 2017-006 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-002, 2017-003, 2017-004, 2017-005, and 2017-006.

School District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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.

Cary Riggs & Ingram, L.L.C.

McAllen, Texas
July 24, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Donna Independent School District
Donna, Texas 78537

Report on Compliance for Each Major Federal Program

We have audited Donna Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-007. Our opinion on each major federal programs is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 the District's internal control over compliance.

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

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

described in the accompanying schedule of findings and questioned costs as item 2017-007, that we consider to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Cam, Riggs & Ingram, L.L.C.

McAllen, Texas

July 24, 2018

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DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? X yes no

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

Identification of major programs:

CFDA Number(s)

84.010A
84.027A/84.173A
84.287C
84.377A

Name of Federal Program or Cluster

Title I Grants to Local Educational Agencies
Special Education Cluster (IDEA)
Twenty-first Century Community Learning Center
School Improvements Grants

Dollar threshold used to distinguish between type A and type B programs:

\$ 947,953

Auditee qualified as low-risk auditee?

 yes X no

DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2017

Section II – Financial Statement Findings

<u>PROGRAM</u>	<u>DESCRIPTION</u>
Reference No.: 2017-001	General Ledger Year-End Maintenance for Annual Financial Statement Requirements
Criteria:	All transactions occurring in the course of business should be entered timely in the general ledger and should be recorded in accordance with provisions of Texas Education Agency's (TEA) Financial Accountability System Resource Guide. Preparation of year-end adjusting journal entries, reconciliation and review of these amounts and other general ledger amounts for reasonableness, and agreement to underlying journals, statements, third parties, etc., must be performed in readiness for the annual audit and preparation of the District's annual financial statements required by the TEA.
Condition:	The general ledger presented for audit contained significant items requiring reclassification and/or adjustment to both current and prior period balances, specifically, adjustments to payroll, health insurance, and workers compensation. Preparation of year-end adjusting journal entries and schedules and the review and reconciliation of those amounts for accuracy was not complete. During our audit, we did note that the District's general ledger maintenance showed significant improvement over the prior year.
Cause:	Due to the extended absences of several key individuals placed in administrative leave, the reorganization of individuals, the lack of familiarity with required procedures, and the absence of training for key operational areas appears to have led to the condition found. During the course of our audit there were various general ledger accounts that needed adjustments, the fixed asset schedule did not agree to the general ledger, there was an instance where one bank was not correctly reconciled, the budget to actual had several negative variances in the functional expenditure category, and various corrections to prior period balances led to a net prior period adjustment of \$41.2M.
Effect or potential effect:	Management assessments and financial decisions, and internal and external financial reporting might be (Continued)

DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2017

Section II – Financial Statement Findings

PROGRAM	DESCRIPTION
Reference No.: 2017-001 (Continued)	General Ledger Year-End Maintenance for Annual Financial Statement Requirements
Effect or potential effect:	inaccurate as a result of an improperly maintained general ledger. In addition, these conditions not only delay the audit process, but more importantly may delay an assessment of other potential control weaknesses.
Auditor's recommendation:	The District should improve the year-end adjusting journal entry, review, and reconciliation processes so that the General Ledger properly reflects the current status of finances of the District.
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

<u>PROGRAM</u>	<u>DESCRIPTION</u>
Reference No.: 2017-002	Monitoring of Securities Pledged
Criteria:	Texas Education Code 45.208 requires adequate pledging of securities to collateralize deposits of the District. Such pledging of collateral should be routinely monitored for adequacy.
Condition:	We were told that the depository bank does not request the District's authorization to release specific securities pledged in the name of the District. Based on report prepared by the District's financial institution, there were various periods of time in January, February, March, June, and November 2017 that the District's deposits were under collateralized ranging from approximately \$10K to as high as \$10.1M.
Cause:	Due to the depository bank not requesting the District's authorization to release specific securities pledged in the name of the District and the District not reviewing the accounts with the financial institution on a daily basis appears to have led to the condition found. During our review of the District's investment's daily collateral report we noted various instances where the District was under collateralized.

DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2017

Section II – Financial Statement Findings

PROGRAM	DESCRIPTION
Reference No.: 2017-002 (Continued)	Monitoring of Securities Pledged
Effect or potential effect:	The District's deposits may be under collateralized.
Auditor's recommendation:	We recommend that the District review its cash and investment accounts on a daily basis to ascertain that adequate levels of coverage are maintained.
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

<u>PROGRAM</u>	<u>DESCRIPTION</u>
Reference No.: 2017-003	Excess Expenditures over Appropriations
Criteria:	The Texas Education Code does not permit any functional category of appropriations to be exceeded during the year.
Condition:	District's General Fund had excess expenditures over budget on several functions, General Fund \$1,347 and Debt Service Fund \$149,998 and \$171,248.
Cause:	District did not amend the budget to allow for the expenditures. During the review of budgeted expenditures, it was noted that actual expenditures in several functions had exceeded the budgeted amounts.
Effect or potential effect:	The District did not comply with the Texas Education Code.
Auditor's recommendation:	We recommend that the District review the budget throughout the year and propose amendments to ensure compliance with State Law.
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

<u>PROGRAM</u>	<u>DESCRIPTION</u>
Reference No.: 2017-004	Compliance - Activities Allowed or Unallowed
Criteria:	Local Education Agencies (LEA) may use State funds only to Supplement programs and services designed to eliminate any disparity in performance on assessment instruments administered under Subchapter B, Chapter 39, or disparity in the rates of high school completion between students at risk of dropping out of school, as (Continued)

DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*)
FOR THE YEAR ENDED AUGUST 31, 2017

Section II – Financial Statement Findings

<u>PROGRAM</u>	<u>DESCRIPTION</u>
Reference No.: 2017-004 (<i>Continued</i>)	Compliance - Activities Allowed or Unallowed
	defined by Section 29.081, and all other students.” [Texas Education Code (TEC) §42.152(c)]. Funds must be in addition to any other federal, statutory or local requirement. Funds must not replace expenditures that were funded or planned to be funded. Funds may not be used for expenditures you would not do if SCE funds were not available. An LEA shall provide accelerated instruction for students who do not perform satisfactorily on required end-of-course (EOC) assessment.
Condition:	During the course of the audit, it was noted that an expenditure for a communication notifications system, called Blackboard, was coded to a state compensatory education (SCE) fund, program intent code (PIC) 30-Compensatory Education. Per the Texas Education Code §42.152, the use of SCE funds for this type of service is not consistent with the legislatively established purposes of the funds.
Cause:	Due to the reorganization of individuals, the lack of familiarity with required procedures, and the absence of training appears to have led to the condition found. During the course of our audit there was an expenditure reviewed that did not meet the criteria as stipulated by TEC §42.152.
Effect or potential effect:	The grantor may disallow the above mentioned expenditure recorded by the Local Education Agency.
Auditor’s recommendation:	It is recommended that the District review expenditures of this nature as it applies to state compensatory education funds to ensure the adherence of the state provisions on the use of state funds
Views of responsible officials:	Management concurs with auditors’ finding and recommendation.

DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2017

Section II – Financial Statement Findings

<u>PROGRAM</u>	<u>DESCRIPTION</u>
Reference No.: 2017-005	Compliance - Activities Allowed or Unallowed
Criteria:	In accordance with the policy of the state (§29.051) to ensure equal educational opportunity to every student, and in recognition of the educational needs of students of limited English proficiency, this subchapter provides for the establishment of bilingual education and special language programs in the public schools and provides supplemental financial assistance to help school districts meet the extra costs of the programs. Pursuant to Section 29.123 of the Texas Education Code (TEC), the State Plan forms the basis of Gifted and Talented (G/T) services and accountability.
Condition:	During the course of the audit, it was noted that the District was noncompliant with the State Mandated Program. Out of 83 samples tested, the District coded one employee's payroll expense to the Fund 162, program intent code (PIC) 25-Bilingual Education, even though no students designated as bilingual were being served. One employee's payroll was expensed to Fund 168, PIC 21-Gifted and Talented, when the charges should have been to fund 199, PIC 99-General Fund.
Cause:	Due to the reorganization of individuals, the lack of familiarity with required procedures, and the absence of training appears to have led to the condition found. During our test of compliance of Program Intent Codes (PIC), it was noted that the District was noncompliant with the State Mandated Program. Out of 83 samples tested, the District coded one employee's payroll expense to the Fund 162, PIC 25-Bilingual Education, even though no students designated as bilingual were being served. One employee's payroll was expensed to Fund 168, PIC 21-Gifted and Talented, when the charges should have been to fund 199, PIC 99-General Fund.
Effect or potential effect:	The grantor may disallow the above mentioned expenditure recorded by the Local Education Agency.
Auditor's recommendation:	It is recommended that the District review expenditures of this nature as it applies to state education funds to ensure the adherence of the state provisions on the use of state funds.

DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2017

Section II – Financial Statement Findings

<u>PROGRAM</u>	<u>DESCRIPTION</u>
Reference No.: 2017-005 (Continued)	Compliance - Activities Allowed or Unallowed
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

<u>PROGRAM</u>	<u>DESCRIPTION</u>
Reference No.: 2017-006	Foundation School Program (FSP) Allotments
Criteria:	The District should spend 55%, 58%, 52%, and 52% of the State Program allotments for Gifted and Talented, Career and Technology Education (CATE), Bilingual Education, and Compensatory Education, respectively, for direct costs of the programs.
Condition:	The District expended less than the 55% amount for Gifted and Talented, for a shortfall of \$133,479, less than the 58% for CATE, for a shortfall of \$878,748, less than the 52% of Bilingual Education, for a shortfall of \$142,076, and less than the 52% of Compensatory Education, for a shortfall of \$18,557. These amounts do not include object code 6144, functions 34, 41, 81, 9x for all and specifically functions 35, 36 and 52 for Compensatory Education as well as an allowable 18% expenditure for program intent code 28.
Cause:	Program directors did not expend required percentages required by program allotment. Status reports were provided to State Comp. and Bilingual. A calculation of direct cost amounts required to be spent based on the funding allocations and required percentages of direct costs found these shortfalls.
Effect or potential effect:	The District may eventually have to return unspent funds.
Auditor's recommendation:	We recommend that the District ensure that expenditures are made to the levels required by the State. Future campus and budget plans should consider expenditures use of these funds so they are not requested back to the State.
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2017

Section III– Federal Award Findings and Questioned Cost

<u>PROGRAM</u>	<u>DESCRIPTION</u>
<p>U.S. Department of Education – Passed Through State Department of Education: Title I Grants to Local Educational Agencies Grant No.: 2017-17610101108902 2018-17610101108902 CFDA # 84.010A Special Education – Grants to States (Cluster) Grant No.: 2017-176610011089026610 CFDA # 84.027A/84.173A School Improvements Grants Grant No.: 2017-166107307110003 Grant No.: 2018-166107307110003 CFDA # 84.377A</p>	
Reference No.: 2017-007	Noncompliance and Significant Deficiency over Compliance - Procurement
Criteria:	The Education Department General Administrative Regulations (EDGAR) specifies that for a sole source vendor, an affidavit form or a letter from a vendor is not sufficient documentation. 2 CFR 200.303 requires non-Federal entities to establish and maintain effective internal controls over compliance with Federal statutes, regulations, and the terms and conditions of the federal award.
Condition:	It was noted that the District did not follow the procurement process on 6 vendors. The District was not able to provide the necessary documentation to support the selection of sole source vendors.
Questioned cost:	\$66,591 (\$21,963 funded with 84.010A Title I and \$44,628 funded with 84.027A Special Ed)
Cause:	<p>Due to change in personnel in Purchasing department, the ex-CFO was approving purchase orders while there was no purchasing agent and even when a new purchasing agent came into position. However, as per the forensic report, the purchasing agent was not trained in procurement procedures. The forensic report noted that the purchasing agent was not trained in procurement procedures.</p> <p style="text-align: right;">(Continued)</p>

DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*)
FOR THE YEAR ENDED AUGUST 31, 2017

Section III – Federal Award Findings and Questioned Cost

<u>PROGRAM</u>	<u>DESCRIPTION</u>
<p>U.S. Department of Education – Passed Through State Department of Education: Title I Grants to Local Educational Agencies Grant No.: 2017-17610101108902 2018-17610101108902 CFDA # 84.010A Special Education – Grants to States (Cluster) Grant No.: 2017-176610011089026610 CFDA # 84.027A/84.173A School Improvements Grants Grant No.: 2017-166107307110003 Grant No.: 2018-166107307110003 CFDA # 84.377A</p>	
Reference No.: 2017-007 (<i>Continued</i>)	Noncompliance and Significant Deficiency over Compliance - Procurement
Effect or potential effect :	The District is not in compliance with purchasing regulations set forth by The Texas Education Code 44.031, EDGAR and the District policies and procedures manual.
Context:	In our test of controls and compliance for procurement requirements, there were 6 instances where sole source was the criteria for selection because sufficient documentation was not provided. The total population tested was 100 vendors.
Auditors' recommendation:	We recommend the District implement mandatory training for the purchasing department to ensure the proper documentation is maintained and proper procedures followed in the procurement process. The District needs to establish and maintain effective internal controls over compliance with Federal statutes, regulations, and the terms and conditions of Federal Awards as required by the Uniform Guidance. District purchasing manual should be updated to include that although a particular item is covered by a patent or copyright is but one factor in determining if the purchase falls under the sole source exemption to the purchase requirements. (§44.031(j)(1), Texas Education Code)"
Views of responsible officials:	Management concurs with auditors' finding and recommendation.

DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2017

Financial Statement Findings:

<u>PROGRAM</u>	<u>CORRECTIVE ACTION PLAN</u>
Reference No.: 2017-001	General Ledger Year-End Maintenance for Annual Financial Statement Requirements
	<p>District is implementing the corrective action plan for the fiscal year 2017-2018.</p> <p>The District recently hired a Chief Financial Officer filling a key position, in addition, training will continue to be provided for individuals in key operation areas. Training will be mandatory for all individuals in key operation areas.</p> <p>Monthly deadlines have been set and are being monitored in order to assure that reconciliation processes are completed in a timely manner and to assure that the General Ledger properly reflects the current status of finances of the District.</p> <p><u>Contact information</u> Sandra Martinez, Finance Director (956) 464-1600</p>

<u>PROGRAM</u>	<u>CORRECTIVE ACTION PLAN</u>
Reference No.: 2017-002	Monitoring of Securities Pledged
	<p>District is implementing the corrective action plan for the fiscal year 2017-2018.</p> <p>In order to assure that District's cash and investment accounts are not under-collateralized, procedures have been implemented to monitor cash and investment accounts on a daily basis to ascertain that adequate levels of coverage are maintained; in addition, our depository institution notifies and requests written authorization from an authorized bank signatory to release specific securities pledged in the name of the District.</p> <p><u>Contact information</u> Sandra Martinez, Finance Director (956) 464-1600</p>

DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2017

Financial Statement Findings (Continued):

<u>PROGRAM</u>	<u>CORRECTIVE ACTION PLAN</u>
Reference No.: 2017-003	Excess Expenditures over Appropriations
	<p>District is implementing the corrective action plan for the fiscal year 2017-2018.</p> <p>The District reviews the budget and budgeted line items and proposes amendments at a minimum on a monthly basis in order to ensure compliance with State Law. The District will continue to review and monitor the budget throughout the year in order to propose amendments ensuring compliance with State Law.</p> <p><u>Contact information</u> Sandra Martinez, Finance Director (956) 464-1600</p>

<u>PROGRAM</u>	<u>CORRECTIVE ACTION PLAN</u>
Reference No.: 2017-004	Compliance - Activities Allowed or Unallowed
	<p>District is implementing the corrective action plan for the fiscal year 2017-2018.</p> <p>The District will assure that procurement policies and procedures are adhered to for all purchases. In addition, the District will continue to provide training to Principals, Directors and other individuals in key operating areas regarding State Allotment Monitoring Programs (SAMP) compliance and Federal, State and Local Purchasing guidelines and requirements.</p> <p><u>Contact information</u> Sandra Martinez, Finance Director (956) 464-1600</p>

DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2017

Financial Statement Findings (Continued):

<u>PROGRAM</u>	<u>CORRECTIVE ACTION PLAN</u>
Reference No.: 2017-005	Compliance - Activities Allowed or Unallowed
	<p>District is implementing the corrective action plan for the fiscal year 2017-2018.</p> <p>The District will assure that procurement policies and procedures are adhered to for all purchases. In addition, the District will continue to provide mandatory training to Principals, Directors and other individuals in key operating areas regarding State Allotment Monitoring Programs (SAMP) compliance and Federal, State and Local Purchasing guidelines and requirements.</p> <p><u>Contact information</u> Sandra Martinez, Finance Director (956) 464-1600</p>

<u>PROGRAM</u>	<u>CORRECTIVE ACTION PLAN</u>
Reference No.: 2017-006	Foundation School Program (FSP) Allotments
	<p>District is implementing the corrective action plan for the fiscal year 2017-2018.</p> <p>The District has implemented procedures that include monthly meetings with Program Directors and Campus Principals to review and monitor their respective department/campus budgets in order to ensure that expenditures are made to the levels required by the State.</p> <p>In addition, the District will continue to provide mandatory training to Principals, Directors and other individuals in key operating areas regarding State Allotment Monitoring Programs (SAMP) compliance in order to assure that procurement policies and procedures are adhered to for all purchases.</p> <p><u>Contact information</u> Sandra Martinez, Finance Director (956) 464-1600</p>

DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2017

Federal Award Findings:

<u>PROGRAM</u>	<u>CORRECTIVE ACTION PLAN</u>
<p>U.S. Department of Education – Passed Through State Department of Education: Title I Grants to Local Educational Agencies Grant No.: 2017-17610101108902 2018-17610101108902 CFDA # 84.010A Special Education – Grants to States (Cluster) Grant No.: 2017-176610011089026610 CFDA # 84.027A/84.173A School Improvements Grants Grant No.: 2017-166107307110003 Grant No.: 2018-166107307110003 CFDA # 84.377A</p>	
<p>Reference No.: 2017-007</p>	<p>Noncompliance and Significant Deficiency over Compliance - Procurement</p>
	<p>District is implementing the corrective action plan for the fiscal year 2017-2018.</p> <p>The District will continue to provide mandatory training opportunities for personnel in key operating areas including Purchasing in order to ensure that the proper documentation is maintained and proper procurement procedures are followed. In addition, the District will continue to provide mandatory procurement training for all principals and directors and other personnel in key operating areas.</p> <p>The District will implement and maintain additional internal controls over compliance with federal statutes and regulations, and the terms and conditions of Federal Awards as required by the Uniform Guidance.</p> <p>The District Purchasing manual will be updated to include EDGAR compliance requirements pertaining to Sole Source purchases.</p> <p><u>Contact information</u> Sandra Martinez, Finance Director (956) 464-1600</p>

DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(CONTINUED)*
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017

Financial Statement Findings:

Not applicable.

Federal Award Findings:

Not applicable.

DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT K-1

(1) FEDERAL GRANTER/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Funds Provided To Subrecipients	(5) Federal Expenditures
U.S. DEPARTMENT OF DEFENSE				
<u>Direct Programs</u>				
Junior Reserve Officer Training Corps	12.U01	108902	\$ -	\$ 53,987
TOTAL U.S. DEPARTMENT OF DEFENSE				53,987
U.S. DEPARTMENT OF EDUCATION				
<u>Pass Through Region One Education Service Center</u>				
Gaining Early Awareness and Readiness for Undergraduate Program (GEAR-UP)	84.334S	17-P334A110180-12	-	225,928
Teacher and School Leader Incentive Grants	84.374A	17-U374A160002-16A	-	1,342
Total Passed Through Region One Education Service Center				227,270
<u>Passed Through Region Ten Education Service Center</u>				
Education for Homeless Children and Youth	84.196	17-020	-	44,389
Total Passed Through Region Ten Education Service Center				44,389
<u>Passed Through State Department of Education</u>				
Title I Grants to Local Educational Agencies	84.010A	17-17610101108902	-	9,231,563
Title I Grants to Local Educational Agencies	84.010A	18-17610101108902	-	306,464
Title I Grants to Local Educational Agencies	84.010A	16-17610112108902000	-	17,667
Title I Grants to Local Educational Agencies	84.010A	17-17610112108902000	-	509,149
Total CFDA Number 84.010A				10,064,843
Migrant Education - State Grant Program	84.011A	17-17615001108902	-	2,722,374
Migrant Education - State Grant Program	84.011A	18-17615001108902	-	225,180
Total CFDA Number 84.011A				2,947,554
*Special Education - Grants to States	84.027A	17-176600011089026600	-	2,039,148
Total CFDA Number 84.027A				2,039,148
*Special Education - Preschool Grants	84.173A	17-176610011089026610	-	36,970
Total CFDA Number 84.173A				36,970
Total Special Education Cluster (IDEA)				2,076,118
Career and Technical Education- Basic Grants to States	84.048A	17-17420006108902	-	274,349
Career and Technical Education- Basic Grants to States	84.048A	18-17420006108902	-	29,574
Total CFDA Number 84.048A				303,923
Twenty-first Century Community Learning Centers	84.287C	17-176950247110008	-	887,297
Twenty-first Century Community Learning Centers	84.287C	18-176950247110008	-	84,237
Total CFDA Number 84.287C				971,534
English Language Acquisition State Grants	84.365A	17-17671001108902	-	611,386
English Language Acquisition State Grants	84.365A	18-17671001108902	-	33,027
Total CFDA Number 84.365A				644,413
Supporting Effective Instruction State Grants	84.367A	17-17694501108902	-	625,322
Supporting Effective Instruction State Grants	84.367A	18-17694501108902	-	10,559
Total CFDA Number 84.367A				635,881
School Improvements Grants	84.377A	17-166107307110003	-	303,002
School Improvements Grants	84.377A	18-166107307110003	-	44,940
Total CFDA Number 84.377A				347,942

(Continued)

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

DONNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT K-1

(1)	(2)	(3)	(4)	(5)
FEDERAL GRANTER/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Funds Provided To Subrecipients	Federal Expenditures
Total Passed Through State Department of Education				17,992,208
TOTAL U.S. DEPARTMENT OF EDUCATION				18,263,867
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<u>Passed Through Texas Department of Human Services</u>				
*Medical Assistance Program	93.778	108902	-	17,968
Total Medicaid Cluster				17,968
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				17,968
U.S. DEPARTMENT OF AGRICULTURE				
<u>Passed Through Texas Department of Agriculture</u>				
*School Breakfast Program	10.553	0564	-	4,496,869
Total CFDA Number 10.553				4,496,869
*National School Lunch Program - Cash Assistance	10.555	0564	-	7,644,171
*National School Lunch Prog.-Non-Cash Assistance	10.555	0564	-	809,598
Total CFDA Number 10.555				8,453,769
Total Child Nutrition Cluster				12,950,638
Fresh Fruit and Vegetable	10.582	0564	-	311,957
Total CFDA Number 10.582				311,957
TOTAL U.S. DEPARTMENT OF AGRICULTURE				13,262,595
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 31,598,417

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

DONNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2017

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Donna 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.

Indirect Cost Rate:

Donna Independent School District has elected not to use the 10% of the minimis indirect cost rate allowed under the Uniform Guidance.

Sub-recipients:

During the year ended August 31, 2017, the District had no sub-recipients.

Federal Loans and Loan Guarantees:

During the year ended August 31, 2017, the District had no outstanding federal loans payable or loan guarantees.

Federally Funded Insurance:

During the year ended August 31, 2017, the District had no federally funded insurance.

Noncash awards:

During the year ended August 31, 2017, the District received \$809,598 as 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	\$	31,598,417
ERATE		1,038,377
SHARS		2,507,385
MAC		47,983
Exhibit C-3	\$	<u>35,192,162</u>