

ANNUAL FINANCIAL REPORT

of the

**EDNA
INDEPENDENT SCHOOL DISTRICT**

For the Year Ended
August 31, 2017

EDNA INDEPENDENT SCHOOL DISTRICT

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INTRODUCTORY SECTION

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CERTIFICATE OF BOARD

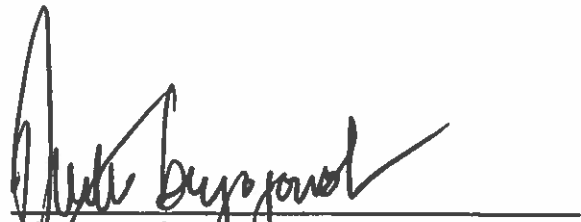
Edna Independent School District
Name of School District

Jackson
County

120-901
Co. Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2017, at a meeting of the Board of Trustees of such school district on the 20th day of November.


Signature of Board Secretary


Signature of Board President

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

(attach list as necessary)

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Edna Independent School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Edna 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2017, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, and schedule of District contributions, identified as Required Supplementary Information on 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 District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of required responses to selected school first indicators are presented for purposes of additional analysis and are not required parts 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 and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, other supplementary information, and the schedule of required responses to selected school first indicators are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the schedule of required responses to selected school first indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report November 14, 2017 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
November 14, 2017

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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EDNA
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2017

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of Edna Independent School District (the "District") for the year ending August 31, 2017. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position at August 31, 2017 was \$30,975,581.
- For the fiscal year ended August 31, 2017, the District's general fund reported a total fund balance of \$7,279,472, of which \$2,482 is reserved for prepaid items, and \$7,276,990 is unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds and the debt service fund) reported combined ending fund balances of \$8,381,146.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic 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.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the fiduciary resources belong. This fund includes student activity funds.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which

EDNA
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, (Continued)
For the Year Ended August 31, 2017

is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other nonfinancial factors, such as changes in the District's tax base, staffing patterns, enrollment, and attendance, need to be considered in order to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities include the following class of activities:

Governmental Activities – Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

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

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

The District has the following kinds of funds:

- *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.

EDNA
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, (Continued)
For the Year Ended August 31, 2017

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$30,975,581 at August 31, 2017. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2017. The District reported an increase of \$565,227 in combined net position from the prior year. The total assets decreased \$137,540 mainly due to depreciation expense. The total liabilities decreased \$1,150,561 mainly due to the current year principal payments on outstanding bonds and the current year amortization of unamortized bond premiums.

The total revenue increased by \$907,147 mainly due to an increase in on-behalf State pension contributions, State program revenues, and earnings from investment offset partly by a decrease in property taxes revenues because of a decrease in the assessed values of properties within the District and a decrease in the property tax rate. The total expenses increased by \$329,361 mainly due to an increase in on-behalf State contributions that were partially offset by a decrease in personnel costs and maintenance.

Table 1
Net Position

Description	Governmental Activities		Total Change
	2017	2016	2017-2016
Current assets	\$ 9,504,170	\$ 9,021,931	\$ 482,239
Capital assets	41,750,469	42,370,248	(619,779)
Total Assets	51,254,639	51,392,179	(137,540)
Deferred charge on refunding	371,122	496,563	(125,441)
Deferred outflows - pension	1,489,415	1,793,657	(304,242)
Total Deferred Outflows of Resources	1,860,537	2,290,220	(429,683)
Current liabilities	745,133	773,251	(28,118)
Long-term liabilities	21,214,530	22,336,973	(1,122,443)
Total Liabilities	21,959,663	23,110,224	(1,150,561)
Deferred inflows - pension	179,932	161,821	18,111
Total Deferred Inflows of Resources	179,932	161,821	18,111
Net Position			
Net invested in capital assets	23,987,068	19,260,024	4,727,044
Restricted	1,101,674	154,312	947,362
Unrestricted	5,886,839	10,996,018	(5,109,179)
Total Net Position	\$ 30,975,581	\$ 30,410,354	\$ 565,227

EDNA
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, (Continued)
For the Year Ended August 31, 2017

Table 2
Changes in Net Position

	Governmental Activities		Total Change
	2017	2016	2017-2016
Revenues:			
Program revenues:			
Charges for services	\$ 1,039,679	\$ 1,033,711	\$ 5,968
Operating grants and contributions	2,398,480	2,428,630	(30,150)
General revenues:			
Property taxes	5,792,587	6,447,447	(654,860)
Grants and contributions not restricted for specific programs	9,492,577	8,109,775	1,382,802
Investment earnings	59,612	34,787	24,825
Other revenue	469,045	290,483	178,562
Total Revenues	19,251,980	18,344,833	907,147
Expenses:			
Instruction	9,418,260	9,279,082	139,178
Instructional resources and media services	150,388	224,184	(73,796)
Curriculum/instructional staff development	104,086	118,170	(14,084)
Instructional leadership	392,618	370,539	22,079
School leadership	1,095,843	1,033,742	62,101
Guidance, counseling, and evaluation services	578,005	559,251	18,754
Health services	180,050	198,983	(18,933)
Student (pupil) transportation	583,116	399,898	183,218
Food services	880,024	906,710	(26,686)
Extracurricular activities	1,176,722	977,038	199,684
General administration	715,843	769,739	(53,896)
Plant maintenance and operations	1,987,629	1,914,295	73,334
Security and monitoring services	54,415	58,957	(4,542)
Data processing services	81,959	55,930	26,029
Community services	-	2,724	(2,724)
Debt service - interest on long term debt	480,777	518,039	(37,262)
Bond issuance cost	2,850	82,448	(79,598)
Payments to fiscal agent/member districts of SSA	591,806	666,926	(75,120)
Other intergovernmental charges	212,361	220,737	(8,376)
Total Expenses	18,686,753	18,357,392	329,361
Change in Net Position	565,227	(12,559)	577,786
Beginning net position	30,410,354	30,422,913	(12,559)
Ending Net Position	\$ 30,975,581	\$ 30,410,354	\$ 565,227

EDNA
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, (Continued)
For the Year Ended August 31, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2017, the District's governmental funds reported a combined fund balance of \$8,381,146. This compares to a combined fund balance of \$7,966,834 at August 31, 2016. The general fund fund balance of \$7,279,472 increased by \$299,107 during the fiscal year. Compared to the prior year, revenues increased by \$135,105 due mainly to an increase State per capita appointment and foundation entitlements, partially offset by a decrease in property tax revenues from a decrease in the assess values of properties and a decrease in the tax rate. Compared to the prior year, expenditures decreased by \$1,878,777 mainly due to the construction of an auditorium in the prior year. The fund balance in the debt service fund of \$770,736 decreased by \$61,421, with the decrease due to debt service payments being more than property tax revenue.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2017, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were no material changes between the original budget and the final amended budget. The general fund's actual revenues exceeded budgeted revenues by \$225,187 mainly due to more State program revenues than anticipated. Budgeted expenditures exceeded actual expenditures by \$372,785 mainly due to the less expenditures than budgeted in transportation and plant maintenance and operations.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost of an amount determined by the Board. Donated capital assets are recorded at an acquisition value at the date of donation. During the fiscal year ended August 31, 2017, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2017, the District had a total of \$41,750,469 invested in capital assets (net of depreciation) such as land, construction in progress, buildings, and District equipment. This total includes \$496,617 invested during the fiscal year ended August 31, 2017.

Major capital asset events during the fiscal year included the following:

- High school auditorium renovation for \$2,091,869
- Dom gym renovation for \$30,623
- 2016 activity bus for \$52,930
- 2017 international bus for \$89,418
- Junior high school gym chiller for \$48,500

More detailed information about the District's capital assets can be found in the notes to the financial statements.

EDNA
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, (Continued)
For the Year Ended August 31, 2017

LONG-TERM DEBT

At year end, the District had \$17,355,000 in general obligation bonds outstanding versus \$18,265,000 last year.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's budgeted expenditures for the 2017-2018 school year total \$18,494,497 and the District's Board of Trustees adopted an M & O tax rate of \$1.04 and an I & S rate of \$0.24 for a combined rate of \$1.28.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at 601 N Wells, Edna, Texas 77957 or call 361-782-3573.

BASIC FINANCIAL STATEMENTS

EDNA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION - EXHIBIT A-1

August 31, 2017

Data Control Codes		1 Governmental Activities
	<u>Assets</u>	
1110	Cash and cash equivalents	\$ 1,305,955
1120	Investments	6,600,899
1225	Property taxes receivable (net)	400,952
1240	Due from other governments	1,193,882
1410	Prepaid items	2,482
		<u>9,504,170</u>
	Capital assets:	
1510	Land	201,179
1520	Buildings and improvements, net	40,072,938
1530	Equipment and vehicles, net	1,476,352
		<u>41,750,469</u>
1000	Total Assets	<u><u>51,254,639</u></u>
	<u>Deferred Outflows of Resources</u>	
1700	Deferred charge on refunding	371,122
1705	Deferred outflows - pension	1,489,415
	Total Deferred Outflows of Resources	<u><u>1,860,537</u></u>
	<u>Liabilities</u>	
2140	Interest payable	23,061
2160	Wages payable	699,219
2200	Accrued expenditures	22,778
2300	Unearned revenue	75
		<u>745,133</u>
	Noncurrent liabilities:	
2501	Long-term liabilities due within	
2501	one year	930,000
2502	Long-term liabilities due in more	
2502	than one year	17,204,523
2540	Net pension liability	3,080,007
2000	Total Liabilities	<u><u>21,959,663</u></u>
	<u>Deferred Inflows of Resources</u>	
2605	Deferred inflows - pension	<u>179,932</u>
	<u>Net Position</u>	
3200	Net investment in capital assets	23,987,068
	Restricted for:	
3820	Federal and state programs	107,039
3850	Debt service	770,736
3870	Campus activities	18,807
3890	Other purposes	205,092
3900	Unrestricted	5,886,839
3000	Total Net Position	<u><u>\$ 30,975,581</u></u>

See Notes to Financial Statements.

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EDNA

INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2017

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities
	Primary Government				
	Governmental Activities				
11	Instruction	\$ 9,418,260	\$ -	\$ 1,678,917	\$ (7,739,343)
12	Instructional resources				
12	and media services	150,388	-	-	(150,388)
13	Curriculum/instructional				
13	staff development	104,086	-	-	(104,086)
21	Instructional leadership	392,618	-	115,380	(277,238)
23	School leadership	1,095,843	-	-	(1,095,843)
31	Guidance, counseling, and				
31	evaluation services	578,005	-	-	(578,005)
32	Social work services				
33	Health services	180,050	-	-	(180,050)
34	Student (pupil) transportation	583,116	-	-	(583,116)
35	Food services	880,024	251,055	604,183	(24,786)
36	Extracurricular activities	1,176,722	788,624	-	(388,098)
41	General administration	715,843	-	-	(715,843)
51	Plant maintenance and operations	1,987,629	-	-	(1,987,629)
52	Security and monitoring services	54,415	-	-	(54,415)
53	Data processing services	81,959	-	-	(81,959)
72	Debt service - interest on				
72	long term debt	480,777	-	-	(480,777)
73	Bond issuance cost	2,850	-	-	(2,850)
93	Payments to fiscal agent/member				
93	districts of SSA	591,806	-	-	(591,806)
99	Other intergovernmental charges	212,361	-	-	(212,361)
	Total Governmental Activities	<u>\$ 18,686,753</u>	<u>\$ 1,039,679</u>	<u>\$ 2,398,480</u>	<u>(15,248,594)</u>
TP	Total Primary Government	<u>\$ 18,686,753</u>	<u>\$ 1,039,679</u>	<u>\$ 2,398,480</u>	<u>(15,248,594)</u>
	General Revenues				
MT	Property taxes, levied for general purposes				4,447,777
DT	Property taxes, levied for debt service				1,344,810
GC	Grants and contributions not restricted				
GC	for specific programs				9,492,577
IE	Investment earnings				59,612
MI	Miscellaneous local and intermediate revenue				469,045
TR	Total General Revenues				<u>15,813,821</u>
CN	Change in Net Position				<u>565,227</u>
NB	Beginning net position				<u>30,410,354</u>
NE	Ending Net Position				<u>\$ 30,975,581</u>

See Notes to Financial Statements.

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EDNA
INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2017

Data Control Codes		10	50	Other	98
		General	Debt Service	Governmental Funds	Total Governmental Funds
Assets:					
1110	Cash and cash equivalents	\$ 828,578	\$ 116,916	\$ 360,461	\$ 1,305,955
1120	Investments	5,955,310	645,589	-	6,600,899
1220	Taxes receivable	586,872	132,112	-	718,984
1230	Allowance for uncollectible taxes	(266,079)	(51,953)	-	(318,032)
1240	Due from other governments	976,039	8,231	209,612	1,193,882
1260	Due from other funds	124,062	-	-	124,062
1410	Prepaid items	2,482	-	-	2,482
1000	Total Assets	<u>\$ 8,207,264</u>	<u>\$ 850,895</u>	<u>\$ 570,073</u>	<u>\$ 9,628,232</u>
Liabilities:					
2160	Accrued wages payable	\$ 590,276	\$ -	\$ 108,943	\$ 699,219
2170	Due to other funds	-	-	124,062	124,062
2200	Accrued expenditures	16,648	-	6,130	22,778
2300	Unearned revenue	75	-	-	75
2000	Total Liabilities	<u>606,999</u>	<u>-</u>	<u>239,135</u>	<u>846,134</u>
Deferred Inflows of Resources:					
2600	Unavailable revenue-property taxes	<u>320,793</u>	<u>80,159</u>	<u>-</u>	<u>400,952</u>
Fund Balances:					
Nonspendable:					
3430	Prepaid items	2,482	-	-	2,482
Restricted:					
3450	Federal/state grant funds	-	-	107,039	107,039
3480	Debt service	-	770,736	-	770,736
3490	Other restrictions	-	-	223,899	223,899
3600	Unassigned	7,276,990	-	-	7,276,990
3000	Total Fund Balances	<u>7,279,472</u>	<u>770,736</u>	<u>330,938</u>	<u>8,381,146</u>
Total Liabilities , Deferred Inflows of Resources, and Fund Balances					
4000		<u>\$ 8,207,264</u>	<u>\$ 850,895</u>	<u>\$ 570,073</u>	<u>\$ 9,628,232</u>

See Notes to Financial Statements.

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EDNA
INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - EXHIBIT C-1R
August 31, 2017

Total fund balances for governmental funds	\$	8,381,146
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - nondepreciable	201,179	
Capital assets - depreciable	<u>41,549,290</u>	
		41,750,469

Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

Accrued interest	(23,061)	
Deferred outflows - pension	1,489,415	
Deferred tax revenue	400,952	
Amortization of loss on bond refunding	371,122	
Deferred inflows - pension	(179,932)	
Noncurrent liabilities due in one year	(930,000)	
Net pension liability	(3,080,007)	
Noncurrent liabilities due in more than one year	<u>(17,204,523)</u>	
		<u>(19,156,034)</u>

Net Position of Governmental Activities	\$	<u>30,975,581</u>
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See Notes to Financial Statements.

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EDNA
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - EXHIBIT C-2
For the Year Ended August 31, 2017

Data Control Codes		10	50		98
		General	Debt Service	Other Governmental Funds	Total Governmental Funds
	Revenues				
5700	Local, intermediate, and out-of-state	\$ 4,970,324	\$ 1,350,919	\$ 1,039,679	\$ 7,360,922
5800	State program revenues	8,711,599	37,400	132,915	8,881,914
5900	Federal program revenues	53,699	-	2,265,565	2,319,264
5020	Total Revenues	<u>13,735,622</u>	<u>1,388,319</u>	<u>3,438,159</u>	<u>18,562,100</u>
	Expenditures				
0011	Instruction	7,118,546	-	1,465,736	8,584,282
0012	Instructional resources/media services	131,101	-	2,134	133,235
0013	Curriculum and staff development	91,521	-	4,453	95,974
0021	Instructional leadership	160,368	-	174,551	334,919
0023	School leadership	944,103	-	-	944,103
0031	Guidance, counseling, and				
0031	evaluation services	237,995	-	275,598	513,593
0033	Health services	107,991	-	57,609	165,600
0034	Student (pupil) transportation	532,514	-	-	532,514
0035	Food service	5,707	-	817,914	823,621
0036	Extracurricular activities	957,376	-	95,832	1,053,208
0041	General administration	594,045	-	30,469	624,514
0051	Plant maintenance and operations	1,826,080	-	-	1,826,080
0052	Security and monitoring services	50,807	-	-	50,807
0053	Data processing services	74,188	-	-	74,188
	Debt service:				
0071	Principal	-	910,000	-	910,000
0072	Interest	-	536,890	-	536,890
0073	Bond issuance costs and fees	-	2,850	-	2,850
	Capital outlay:				
0081	Facilities acquisition and construction	137,243	-	-	137,243
	Intergovernmental:				
0093	Shared services arrangements	254,569	-	337,237	591,806
0099	Other intergovernmental charges	212,361	-	-	212,361
6030	Total Expenditures	<u>13,436,515</u>	<u>1,449,740</u>	<u>3,261,533</u>	<u>18,147,788</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>299,107</u>	<u>(61,421)</u>	<u>176,626</u>	<u>414,312</u>
1200	Net Change in Fund Balances	299,107	(61,421)	176,626	414,312
0100	Beginning fund balances	6,980,365	832,157	154,312	7,966,834
3000	Ending Fund Balances	<u>\$ 7,279,472</u>	<u>\$ 770,736</u>	<u>\$ 330,938</u>	<u>\$ 8,381,146</u>

See Notes to Financial Statements.

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EDNA
INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - EXHIBIT C-3
For the Year Ended August 31, 2017

Net changes in fund balances - total governmental funds	\$ 414,312
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation	(1,116,396)
Capital outlay	496,617
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	95,480
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.	
Principal repayments	910,000
Accrued interest	565
Amortization of loss on refunding	(125,441)
Amortization of premiums	180,989
Pension activity reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure or revenue in governmental funds.	
Change in net pension liability	31,454
Net change in deferred outflows and inflows - pension	<u>(322,353)</u>
Change in Net Position of Governmental Activities	<u>\$ 565,227</u>

See Notes to Financial Statements.

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EDNA
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - EXHIBIT E-1
August 31, 2017

<u>Data Control Codes</u>			<u>Total Agency Funds</u>
	<u>Assets</u>		
1110	Cash and cash equivalents		\$ 113,090
1000		Total Assets	<u>\$ 113,090</u>
	<u>Liabilities</u>		
2190	Due to student groups		\$ 113,090
2000		Total Liabilities	<u>\$ 113,090</u>

See Notes to Financial Statements.

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EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended August 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Edna Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and it complies with the requirements of the appropriate version of Texas Education Agency’s (TEA) *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

The District is an independent political subdivision of the State of Texas governed by a board elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations, and is considered a primary government. As required by GAAP, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District’s financial reporting entity. No other entities have been included in the District’s reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

B. 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 nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporated data from the District’s enterprise funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonable equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2017

The District reports the following governmental funds:

General Fund

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 general fund is considered a major fund for reporting purposes.

Debt Service Fund

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. The debt service fund is not considered a major fund for reporting purposes, but the District has elected to present as a major fund due to its significance.

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes other than debt service or capital projects. The restricted proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance is accounted for in a special revenue fund.

Fiduciary Funds

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District has the following type of fiduciary funds:

Agency Funds

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's student activity funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal services funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2017

activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded 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.

The 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 District 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 services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for the revenue source (within 60 days of year end). All other revenue items are considered measurable and available only when cash is received by the District.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. 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.

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2017

are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposits, are reported at cost.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Government investment pools and commercial paper

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

4. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

5. Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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 primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	20 to 40 years
Vehicles	10 years
Equipment	8 to 20 years

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2017

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has six items that qualify for reporting in this category on the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension plan. Deferred outflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. Another deferral is recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred inflows and resources are recognized for the differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. Another deferral is recognized for the changes in proportion and the difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, 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. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

7. Long-Term Obligations

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

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2017

discount and payment of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

8. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The District's Board is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District's Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2017

have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. 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, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

12. Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

13. Pensions

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2017

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with GAAP. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets.

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the national school lunch and breakfast program special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the year, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. There were no material changes between the original budget and the final amended budget.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of August 31, 2017, the District had the following investments in external investment pools:

<u>Investments</u>	<u>Maturity</u>	<u>Market Value</u>	<u>Rating</u>	<u>Weighted Average Maturity (Year)</u>
Lone Star Investment Pool	N/A	\$ 5,946,416	AAA	0.00
Total		<u>\$ 5,946,416</u>		
Portfolio weighted average maturity				0.00

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires funds on deposit at the depository bank to be collateralized. As of August 31, 2017, checking and time deposits were entirely insured or collateralized with securities as provided by State laws and regulations and FDIC insurance.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's investments are held in external investment pools which are not subject to custodial credit risk.

Interest rate risk – In accordance with its investment policy, the District manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Lone Star

The Lone Star Investment Pool ("Lone Star") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASS), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star.

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2017

All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated 'AAA' by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of \$1.00. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of \$1.00 and the Corporate Overnight Plus maintains a net asset value of \$0.50.

B. Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 201,179	\$ -	\$ -	\$ 201,179
Construction in progress	2,001,100	-	(2,001,100)	-
Total capital assets not being depreciated	<u>2,202,279</u>	<u>-</u>	<u>(2,001,100)</u>	<u>201,179</u>
Other capital assets:				
Buildings and improvements	47,856,666	2,138,344	-	49,995,010
Equipment and vehicles	3,000,619	359,373	-	3,359,992
Total other capital assets	<u>50,857,285</u>	<u>2,497,717</u>	<u>-</u>	<u>53,355,002</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,048,547)	(873,525)	-	(9,922,072)
Equipment and vehicles	(1,640,769)	(242,871)	-	(1,883,640)
Total accumulated depreciation	<u>(10,689,316)</u>	<u>(1,116,396)</u>	<u>-</u>	<u>(11,805,712)</u>
Other capital assets, net	<u>40,167,969</u>	<u>1,381,321</u>	<u>-</u>	<u>41,549,290</u>
Governmental Activities Capital Assets, Net	<u>\$ 42,370,248</u>	<u>\$ 1,381,321</u>	<u>\$ (2,001,100)</u>	<u>41,750,469</u>
			Less Associated debt	(18,134,523)
			Plus deferred charge on refunding	371,122
			Net Investment in Capital Assets	<u>\$ 23,987,068</u>

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Depreciation was charged to governmental functions as follows:

	Governmental Activities
11 Instruction	\$ 609,458
12 Instructional resources/media services	9,463
13 Curriculum and staff development	6,815
21 Instructional leadership	23,783
23 School leadership	67,042
31 Guidance, counseling, and evaluation services	36,471
33 Health services	11,759
34 Student (pupil) transportation	37,814
35 Food service	56,403
36 Extracurricular activities	74,493
41 General administration	44,347
51 Plant maintenance and operations	129,671
52 Security and monitoring services	3,608
53 Data processing services	5,269
Total Depreciation Expense	\$ 1,116,396

C. Long-Term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the debt service fund to liquidate governmental long-term liabilities.

Governmental Activities:	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year
Bonds payable:					
Series 2007 schoolhouse bonds	\$ 75,000	\$ -	\$ (75,000)	\$ -	\$ -
Series 2011 schoolhouse bonds	5,850,000	-	(70,000)	5,780,000	70,000
Series 2011 QSC bonds	3,900,000	-	(390,000)	3,510,000	390,000
Series 2014 tax refunding bonds	6,945,000	-	(375,000)	6,570,000	385,000
Series 2015 refunding bonds	1,495,000	-	-	1,495,000	85,000
	<u>18,265,000</u>	<u>-</u>	<u>(910,000)</u>	<u>17,355,000</u>	<u>* 930,000</u>
Other liabilities:					
Unamortized bond premium	960,512	-	(180,989)	779,523	*
Net pension liability	<u>3,111,461</u>	<u>9,916</u>	<u>-</u>	<u>3,121,377</u>	<u>-</u>
Total Governmental Activities	\$ 22,336,973	\$ 9,916	\$ (1,090,989)	\$ 21,255,900	\$ 930,000
				<u>\$ 20,325,900</u>	

* Debt associated with capital assets \$ 18,134,523

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Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
General Obligation		
Unlimited Tax School Building Bonds		
Series 2011	2.00 - 5.00%	\$ 5,780,000
Series 2011 QSC bonds	N/A	3,510,000
Unlimited Tax Refunding Bonds		
Series 2014	2.00 - 3.75%	6,570,000
Series 2015	3.00 - 4.00%	1,495,000
Total General Obligation Bonds		\$ 17,355,000

The annual requirements to amortize debt issues outstanding at year end were as follows:

Year Ended August 31	Principal	Interest	Total Requirements
2018	\$ 930,000	\$ 524,227	\$ 1,454,227
2019	940,000	511,752	1,451,752
2020	955,000	496,977	1,451,977
2021	975,000	479,727	1,454,727
2022	995,000	461,477	1,456,477
2023-2027	5,215,000	1,985,780	7,200,780
2028-2032	5,025,000	1,082,935	6,107,935
2033-2036	2,320,000	239,500	2,559,500
Totals	\$ 17,355,000	\$ 5,782,375	\$ 23,137,375

D. Interfund Transactions

The interfund balances at August 31, 2017 were as follows:

	Due To Fund	Due From Fund
Fund 199 - General fund	\$ -	\$ 124,062
Fund 211 - Title I	40,139	-
Fund 263 - Title III	173	-
Fund 270 - Title VI	20,833	-
Fund 313 - IDEA B	62,917	-
Total	\$ 124,062	\$ 124,062

Amounts recorded as due to/from are considered to be temporary loans and will generally be paid in more than one year.

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NOTES TO FINANCIAL STATEMENTS, (Continued)
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IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. The District has engaged an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

C. Defined Benefit Pension Plan

Teacher Retirement System

Plan Description

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

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

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Pension Plan Fiduciary Net Position

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

Benefits Provided

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

Contributions

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

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.

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Contribution Rates

	<u>2016</u>	<u>2017</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2017 Employer Contributions	\$262,445	
2017 Member Contributions	\$243,151	
2017 NECE On-behalf Contributions	\$482,543	

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 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 TRS, 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.

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Actuarial Assumptions

The total pension liability in the August 31, 2016 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
Single discount rate	8.0%
Long-term expected investment rate of return	8.0%
Inflation	2.5%
Salary increases including inflation	3.5% to 9.5%
Payroll growth rate	2.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily 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%. 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.

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Best estimates of geometric real rates of return for each major asset class included in TMRS's target asset allocation as of August 31, 2016 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long - Term Expected Real Rate of Return
As of August 31, 2016

	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non - U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Returns	0.0%	1.8%	0.0%
Hedge Funds (stable Value)	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation-Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy & Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation	0.0%		2.2%
Alpha	0.0%		1.0%
Total	100.0%		8.7%

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

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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 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	\$ 4,830,841	\$ 3,121,377	\$ 1,671,407

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

At August 31, 2017, the District reported a liability of \$3,121,377 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 3,121,377
State's proportionate share that is associated with the District	<u>5,727,712</u>
Total	<u>\$ 8,849,089</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 District's proportion of the collective net pension liability was 0.0082601%, which was a decrease of 0.0005421% from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation – There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended August 31, 2017, the District recognized pension expense of \$594,400 and revenue of \$594,400 for support provided by the State.

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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
Difference between expected and actual economic experience	\$ 48,943	\$ (93,203)
Changes in actuarial assumptions	95,134	(86,520)
Difference between projected and actual investment earnings	264,312	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	822,893	(209)
Contributions paid to TRS subsequent to the measurement date	258,133	-
Total	\$ 1,489,415	\$ (179,932)

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
2018	\$ 192,124
2019	192,124
2020	360,715
2021	179,169
2022	122,939
Thereafter	4,279
Total	\$ 1,051,350

D. Retiree Health Care Plan

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by 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. The TRS issues a publicly available financial report that includes financial statements and Required Supplementary Information for TRS-Care. That report may be obtained by visiting the TRS web site at www.trs.state.tx.us; by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701; or by calling 1-800-223-8778.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.00% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016, and

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2015. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2017, 2016, and 2015, the State's contributions to TRS-Care were \$5,185, \$6,877, and \$18,798, respectively; the active member contributions were \$59,415, \$58,705, and \$56,060, respectively; and the District's contributions were \$50,274, \$49,674, and \$47,436, respectively; which equaled the required contributions each year.

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 TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on behalf of the District were \$34,382, \$34,796, and \$35,279, respectively.

E. Employee Health Care Coverage

During the year ended August 31, 2017, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$320 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2017 and terms of coverage and premiums costs are included in the contractual provisions.

F. Workers' Compensation Insurance

During the year ended August 31, 2017, employees of the District were covered by a Workers' Compensation Plan (the "Plan"). The Plan is a workers' compensation self-joint fund pursuant to Texas Labor Code Annotated Chapter 504 and Texas Government Code Chapter 791.

Plan sponsors make proportionate contributions into a self-insurance joint fund that may be used for the payment of benefits and the administration of claims. The plan is administered by a third-party, Claims Administrative Services (CAS), acting on behalf of the self-funded pool.

Each plan sponsor has a loss fund maximum, which is combined into a self-insurance joint fund. Claims less than the self-insured retention from any one employee or occurrence shall be paid first from the loss fund maximum of the plan sponsor responsible for the employee or occurrence and then from the self-insurance joint fund. The District's loss fund maximum for fiscal year 2017 was \$69,800. Claims in excess of the self-insured retention from any one employee or occurrence shall be paid by excess insurance up to statutory limits. 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 three fiscal years.

G. Unemployment Compensation

During the year ended August 31, 2017, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by

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Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the unemployment compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

H. Shared Services Arrangements

The District is the fiscal agent for a shared services arrangement (SSA) which provides special education services using state and local funds to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Edna ISD	\$ 417,264
Industrial ISD	339,438
Ganado ISD	218,693
Total	\$ 975,395

The District is the fiscal agent for a SSA which provides special education services using federal funds to the member districts listed below. All services are provided by the fiscal agent. The state passes the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 2 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Formula</u>	<u>Preschool</u>
Edna ISD	\$ 150,941	\$ 12,840
Industrial ISD	96,463	4,950
Ganado ISD	64,347	1,505
Total	\$ 311,751	\$ 19,295

I. Subsequent Event

In October 2017, the District issued \$5,485,000 of Unlimited Tax Refunding Bonds, Series 2017 to provide resources for all future debt service payments of \$5,485,000 of Unlimited Tax School Building Bonds, Series 2011. Interest rates on the bonds range from 3.00% to 4.50% and the bonds will mature on February 15, 2036. Included within the Series 2017 bond issuance are \$25,000 of Premium Capital Appreciation Bonds that mature on February 15, 2018 at a maturity amount of

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\$75,000. The proceeds of this advance refunding issuance were deposited in an irrevocable trust with an escrow account to provide funds for the cost of issuance and future debt service payments.

J. Tax Abatements

The District has entered into a property tax abatement agreement (the “Agreement”) with Flag City Processing Partners, LLC (the “Company”) for a limitation on appraised value of property for school district maintenance and operation taxes pursuant to Chapter 313 of the Texas Tax Code, the Texas Economic Development Act (the “Act”) as of August 20, 2012. The final termination date of the agreement is December 31, 2025.

Under the Act, a taxpayer agrees to build or install property and create jobs in exchange for an 8-year limitation on the taxable property value for school district maintenance and operations tax (M&O) purposes.

The District has granted the Company a tax limitation of \$10,000,000 for the period beginning January 1, 2015 through December 31, 2022. The qualified investment consists of an estimated \$65 million to construct a new gas processing facility in Jackson County.

The Company is entitled to the tax limitation amount for tax years 2015 – 2022. The limitation on the local ad valorem property values for M&O purposes shall commence with the property valuations made as of January 1, 2015, the appraisal date for the third full tax year following the commencement date. For the first two full tax years that begin after the commencement date (i.e., the 2013 and 2014 tax years), which together, along with the period from the date of approval until January 1, 2013 are collectively referred to herein as the qualifying time period, as that term is defined in Texas Tax Code 313.021(4), the Company shall not be entitled to a tax limitation. Unless sooner terminated as provided herein, the limitation on the local ad valorem property values shall terminate on December 31, 2022.

In order for the Company to receive and maintain the tax limitation, the Company must:

- Complete a minimum qualified investment of \$10,000,000 during the qualifying time period or the agreement shall become null and void on December 31, 2013.
- Create and maintain, subject to the provisions of Section 313.026 (a)(7) of the Texas Tax Code, ten new qualifying jobs.
- Create and maintain at least 80% of all new jobs it committed to create and maintain.
- Pay the qualifying job holders wages, salaries, and benefits in accordance with Texas Tax Code Section 313.02 (a)(8) at an average wage of \$1,028 weekly (\$55,016 annually).
- Make supplemental payments in accordance with the agreement.
- Create and maintain a viable presence in the District through the final termination date.

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2017

The estimated potential tax savings to the Company resulting from the value limitation total \$3,315,861 over a 15 year period. In addition, the Company is eligible for a tax credit on taxes paid on values in excess of the value limitation in each of the first two years. The cumulative tax credits are projected to be approximately \$1,017,958. The District is to be reimbursed by the State for tax credit payments. Over the same 15 year period the District is projecting a net gain from the agreement totaling \$5,794.

REQUIRED SUPPLEMENTARY INFORMATION

EDNA
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND - EXHIBIT G-1
For the Year Ended August 31, 2017

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	<u>Revenues</u>				
5700	Local, intermediate, and out-of-state	\$ 4,985,513	\$ 4,998,513	\$ 4,970,324	\$ (28,189)
5800	State program revenues	8,328,101	8,483,922	8,711,599	227,677
5900	Federal program revenues	28,000	28,000	53,699	25,699
5020	Total Revenues	<u>13,341,614</u>	<u>13,510,435</u>	<u>13,735,622</u>	<u>225,187</u>
	<u>Expenditures</u>				
0011	Instruction	7,222,728	7,126,745	7,118,546	8,199
0012	Instructional resources/media services	163,095	149,095	131,101	17,994
0013	Curriculum and staff development	118,427	99,427	91,521	7,906
0021	Instructional leadership	163,048	173,048	160,368	12,680
0023	School leadership	921,564	964,064	944,103	19,961
0031	Guidance, counseling, and				
0031	evaluation services	250,341	250,341	237,995	12,346
0033	Health services	126,406	116,406	107,991	8,415
0034	Student (pupil) transportation	575,584	628,514	532,514	96,000
0035	Food service	6,900	6,900	5,707	1,193
0036	Extracurricular activities	858,248	987,559	957,376	30,183
0041	General administration	606,160	618,160	594,045	24,115
0051	Plant maintenance and operations	1,666,303	1,923,890	1,826,080	97,810
0052	Security and monitoring services	48,900	51,400	50,807	593
0053	Data processing services	78,156	78,156	74,188	3,968
0061	Community services	2,800	2,800	-	2,800
	Capital outlay:				
0081	Facilities acquisition and construction	-	144,920	137,243	7,677
	Intergovernmental:				
0093	Shared services arrangements	302,925	271,846	254,569	17,277
0099	Other intergovernmental charges	230,029	216,029	212,361	3,668
6030	Total Expenditures	<u>13,341,614</u>	<u>13,809,300</u>	<u>13,436,515</u>	<u>372,785</u>
1200	Net Change in Fund Balances	-	(298,865)	299,107	597,972
0100	Beginning fund balances	6,980,365	6,980,365	6,980,365	-
3000	Ending Fund Balances	<u>\$ 6,980,365</u>	<u>\$ 6,681,500</u>	<u>\$ 7,279,472</u>	<u>\$ 597,972</u>

See Notes to Required Supplementary Information

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EDNA
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)- EXHIBIT G-2
For the Year Ended August 31, 2017

	Measurement Year*		
	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0082601%	0.0088022%	0.0044939%
District's proportionate share of the net pension liability (asset)	\$ 3,121,377	\$ 3,111,461	\$ 1,200,382
State's proportionate share of the net pension liability (asset) associated with the District	5,727,712	5,376,004	4,481,720
Total	\$ 8,849,089	\$ 8,487,465	\$ 5,682,102
District's covered employee payroll**	\$ 9,035,394	\$ 8,697,318	\$ 7,687,454
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	34.55%	35.77%	15.61%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%

*Only three years' worth of information is currently available.

**As of the measurement date

Notes to Required Supplementary Information:

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

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

EDNA
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-3
For the Year Ended August 31, 2017

	Fiscal Year*			
	2017	2016	2015	2014
Contractually required contribution	\$ 258,133	\$ 263,859	\$ 143,176	\$ 115,373
Contributions in relations to the contractually required contribution	258,133	263,859	143,176	115,373
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 9,140,879	\$ 9,035,394	\$ 8,697,318	\$ 7,687,454
Contributions as a percentage of covered employee payroll	2.82%	2.92%	1.65%	1.50%

* Only four years' worth of information is currently available.

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***OTHER SUPPLEMENTARY
INFORMATION***

EDNA
INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 1 of 2)
August 31, 2017

Data Control Codes		211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	240 National School Breakfast/ Lunch	244 Career and Tech
	<u>Assets</u>				
1110	Cash and cash equivalents	\$ -	\$ -	\$ 67,923	\$ -
1240	Due from other governments	62,775	13,928	19,737	-
1000	Total Assets	\$ 62,775	\$ 13,928	\$ 87,660	\$ -
	<u>Liabilities</u>				
2160	Accrued wages payable	\$ 21,378	\$ 12,634	\$ -	\$ -
2170	Due to other funds	40,139	-	-	-
2200	Accrued expenditures	1,258	1,294	-	-
2000	Total Liabilities	62,775	13,928	-	-
	<u>Fund Balances</u>				
	Restricted, reported in nonmajor:				
3450	Federal/state grant funds	-	-	87,660	-
3490	Other restrictions	-	-	-	-
3000	Total Fund Balances	-	-	87,660	-
4000	Total Liabilities and Fund Balances	\$ 62,775	\$ 13,928	\$ 87,660	\$ -

255	263	270	289	313	314
ESEA Title II Training & Recruiting	English Language Acquisition & Enhancement	ESEA Title VI Part B Subart 2	Summer School LEP	IDEA-B Formula	IDEA-B Preschool
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4,535	173	20,833	-	85,276	2,355
<u>\$ 4,535</u>	<u>\$ 173</u>	<u>\$ 20,833</u>	<u>\$ -</u>	<u>\$ 85,276</u>	<u>\$ 2,355</u>
\$ 4,156	\$ -	\$ -	-	\$ 20,307	\$ 2,136
-	173	20,833	-	62,917	-
379	-	-	-	2,052	219
<u>4,535</u>	<u>173</u>	<u>20,833</u>	<u>-</u>	<u>85,276</u>	<u>2,355</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 4,535</u>	<u>\$ 173</u>	<u>\$ 20,833</u>	<u>\$ -</u>	<u>\$ 85,276</u>	<u>\$ 2,355</u>

EDNA
INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 2 of 2)
August 31, 2017

		385	410	429	437
Data Control Codes		Supplementary Visually Impaired	State Textbook	State Pre-K	Student Success Initiative
<u>Assets</u>					
1110	Cash and cash equivalents	\$ -	\$ 19,379	\$ -	\$ 254,352
1240	Due from other governments	-	-	-	-
1000	Total Assets	\$ -	\$ 19,379	\$ -	\$ 254,352
<u>Liabilities</u>					
2160	Accrued wages payable	\$ -	\$ -	\$ -	\$ 48,332
2170	Due to other funds	-	-	-	-
2200	Accrued expenditures	-	-	-	928
2000	Total Liabilities	-	-	-	49,260
<u>Fund Balances</u>					
Restricted, reported in nonmajor:					
3450	Federal/state grant fund	-	19,379	-	-
3490	Other restrictions	-	-	-	205,092
3000	Total Fund Balances	-	19,379	-	205,092
4000	Total Liabilities and Fund Balances	\$ -	\$ 19,379	\$ -	\$ 254,352

461	397	498	Total Nonmajor Governmental Funds
Campus Activity	Advanced Placement Incentives	Formosa Grant	
\$ 18,807	\$ -	\$ -	\$ 360,461
-	-	-	209,612
<u>\$ 18,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 570,073</u>
\$ -	\$ -	\$ -	\$ 108,943
-	-	-	124,062
-	-	-	6,130
<u>-</u>	<u>-</u>	<u>-</u>	<u>239,135</u>
-	-	-	107,039
18,807	-	-	223,899
<u>18,807</u>	<u>-</u>	<u>-</u>	<u>330,938</u>
<u>\$ 18,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 570,073</u>

EDNA
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 1 of 2)
For the Year Ended August 31, 2017

Data Control Codes		211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	240 National School Breakfast/ Lunch	244 Career and Tech
	<u>Revenues</u>				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ 251,055	\$ -
5800	State program revenues	-	-	4,565	-
5900	Federal program revenues	318,766	115,380	599,618	18,275
5020	Total Revenues	<u>318,766</u>	<u>115,380</u>	<u>855,238</u>	<u>18,275</u>
	<u>Expenditures</u>				
0011	Instruction	317,405	115,380	-	18,275
0012	Instructional resources/media services	-	-	-	-
0013	Curriculum and staff development	-	-	-	-
0021	Instructional leadership	1,361	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	817,914	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0093	Shared services arrangements	-	-	-	-
6030	Total Expenditures	<u>318,766</u>	<u>115,380</u>	<u>817,914</u>	<u>18,275</u>
1200	Net Change in Fund Balances	-	-	37,324	-
0100	Beginning fund balances	-	-	50,336	-
3000	Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,660</u>	<u>\$ -</u>

255	263	270	289	313	314
ESEA Title II Training & Recruiting	English Language Acquisition & Enhancement	ESEA Title VI Part B Subart 2	Summer School LEP	IDEA-B Formula	IDEA-B Preschool
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
75,417	12,768	31,222	1,165	618,082	19,295
75,417	12,768	31,222	1,165	618,082	19,295
75,417	12,768	31,222	1,165	31,142	19,295
-	-	-	-	-	-
-	-	-	-	120	-
-	-	-	-	48,038	-
-	-	-	-	201,545	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	337,237	-
75,417	12,768	31,222	1,165	618,082	19,295
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

EDNA
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 2 of 2)
For the Year Ended August 31, 2017

		385	410	429	437
Data Control Codes		Supplementary Visually Impaired	State Textbook	State Pre-K	Student Success Initiative
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ 651,656
5800	State program revenues	-	91,079	36,371	-
5900	Federal program revenues	4,320	-	-	451,257
5020	Total Revenues	<u>4,320</u>	<u>91,079</u>	<u>36,371</u>	<u>1,102,913</u>
Expenditures					
0011	Instruction	4,320	71,700	33,858	688,162
0012	Instructional resources/media services	-	-	-	-
0013	Curriculum and staff development	-	-	3,913	420
0021	Instructional leadership	-	-	-	125,152
0031	Guidance, counseling, and				
0031	evaluation services	-	-	-	74,053
0033	Health services	-	-	-	57,609
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	30,000
0093	Shared services arrangements	-	-	-	-
6030	Total Expenditures	<u>4,320</u>	<u>71,700</u>	<u>37,771</u>	<u>975,396</u>
1200	Net Change in Fund Balances	-	19,379	(1,400)	127,517
0100	Beginning fund balances	-	-	1,400	77,575
3000	Ending Fund Balances	<u>\$ -</u>	<u>\$ 19,379</u>	<u>\$ -</u>	<u>\$ 205,092</u>

461	397	498	Total Nonmajor Governmental Funds
Campus Activity	Advanced Placement Incentives	Formosa Grant	
\$ 114,968	\$ -	\$ 22,000	\$ 1,039,679
-	900	-	132,915
-	-	-	2,265,565
114,968	900	22,000	3,438,159
23,196	900	21,531	1,465,736
2,134	-	-	2,134
-	-	-	4,453
-	-	-	174,551
-	-	-	275,598
-	-	-	57,609
-	-	-	817,914
95,832	-	-	95,832
-	-	469	30,469
-	-	-	337,237
121,162	900	22,000	3,261,533
(6,194)	-	-	176,626
25,001	-	-	154,312
\$ 18,807	\$ -	\$ -	\$ 330,938

EDNA
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1
For the Year Ended August 31, 2017

	1	2	3
	Tax Rates		Net Assessed/ Appraised Value For School Tax Purposes
<u>Last Ten Years</u>	<u>Maintenance</u>	<u>Debt Service</u>	
2008 and prior	Various	Various	Various
2009	\$ 1.0400	\$ 0.2500	\$ 445,632,520
2010	\$ 1.0400	\$ 0.2300	\$ 426,885,364
2011	\$ 1.0400	\$ 0.1769	\$ 403,351,713
2012	\$ 1.0400	\$ 0.1769	\$ 386,197,141
2013	\$ 1.0400	\$ 0.3382	\$ 392,285,907
2014	\$ 1.0400	\$ 0.3706	\$ 498,057,498
2015	\$ 1.0400	\$ 0.2696	\$ 596,078,305
2016	\$ 1.0400	\$ 0.2677	\$ 567,882,667
2017	\$ 1.0400	\$ 0.2567	\$ 565,834,667
Totals			

10	20	31	32	40	50
Beginning Balance 9/1/16	Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 8/31/17
\$ 111,322	\$ -	\$ 237	\$ 25	\$ (129)	\$ 110,931
25,335	-	404	89	(133)	24,709
32,094	-	293	50	(38)	31,713
35,471	-	1,747	291	(8)	33,425
41,837	-	2,109	670	(997)	38,061
48,921	-	2,451	855	(1,154)	44,461
49,226	-	4,897	1,257	(1,297)	41,775
69,436	-	10,890	2,791	(2,381)	53,374
185,810	-	43,111	18,043	(28,288)	127,372
-	5,844,572	4,323,246	1,308,163	-	213,163
<u>\$ 599,452</u>	<u>\$ 5,844,572</u>	<u>\$ 4,389,385</u>	<u>\$ 1,332,234</u>	<u>\$ (34,425)</u>	<u>\$ 718,984</u>

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EDNA
INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NATIONAL BREAKFAST AND LUNCH PROGRAM - EXHIBIT J-2
For the Year Ended August 31, 2017

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	<u>Revenues</u>				
5700	Local, intermediate, and out-of-state	\$ 260,330	\$ 260,330	\$ 251,055	\$ (9,275)
5800	State program revenues	5,164	5,164	4,565	(599)
5900	Federal program revenues	594,782	594,782	599,618	4,836
5020	Total Revenues	<u>860,276</u>	<u>860,276</u>	<u>855,238</u>	<u>(5,038)</u>
	<u>Expenditures</u>				
0035	Food service	845,084	861,084	817,914	43,170
6030	Total Expenditures	<u>845,084</u>	<u>861,084</u>	<u>817,914</u>	<u>43,170</u>
1200	Net Change in Fund Balances	15,192	(808)	37,324	38,132
0100	Beginning fund balances	50,336	50,336	50,336	-
3000	Ending Fund Balances	<u>\$ 65,528</u>	<u>\$ 49,528</u>	<u>\$ 87,660</u>	<u>\$ 38,132</u>

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EDNA
INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE - EXHIBIT J-3

For the Year Ended August 31, 2017

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	<u>Revenues</u>				
5700	Local, intermediate, and out-of-state	\$ 1,398,514	\$ 1,398,514	\$ 1,350,919	\$ (47,595)
5800	State program revenues	36,271	36,271	37,400	1,129
5020	Total Revenues	<u>1,434,785</u>	<u>1,434,785</u>	<u>1,388,319</u>	<u>(46,466)</u>
	<u>Expenditures</u>				
	Debt service:				
0071	Principal	910,000	910,000	910,000	-
0072	Interest	537,040	537,040	536,890	150
0073	Bond issuance costs and fees	2,850	2,850	2,850	-
6030	Total Expenditures	<u>1,449,890</u>	<u>1,449,890</u>	<u>1,449,740</u>	<u>150</u>
1200	Net Change in Fund Balances	(15,105)	(15,105)	(61,421)	(46,616)
0100	Beginning fund balances	832,157	832,157	832,157	-
3000	Ending Fund Balances	<u>\$ 817,052</u>	<u>\$ 817,052</u>	<u>\$ 770,736</u>	<u>\$ (46,616)</u>

***FEDERAL AWARDS AND
OTHER COMPLIANCE SECTION***

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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**

November 14, 2017

To the Board of Trustees of the
Edna Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Edna 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 November 14, 2017.

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.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas



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

November 14, 2017

To the Board of Trustees of the
Edna Independent School District:

Report on Compliance for Each Major Federal Program

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

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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

EDNA
INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended August 31, 2017

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings.

EDNA
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2017

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the District.
2. Significant deficiencies in internal control were not disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Significant deficiencies in internal control over major federal award programs were not disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the District are reported in Part C of this schedule.
7. The programs included as major programs are:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.027 & 84.173	Special Education Cluster (IDEA)
10.553 & 10.555	Child Nutrition Cluster

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The District did qualify as a low-risk auditee.

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

None Noted

C. FINDINGS – FEDERAL AWARDS AUDIT

None Noted

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EDNA
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1
For the Year Ended August 31, 2017

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Texas Education Agency:</i>			
Title I, Part A - Improving Basic Programs	84.010	17610101120901	\$ 275,204
Title I, Part A - Improving Basic Programs	84.010	18610101120901	22,636
Title I, Priority and FOC	84.010	17610112120901000	20,926
Title II Part A - Teacher/Principal Training	84.367	17694501120901	70,882
Title II Part A - Teacher/Principal Training	84.367	18694501120901	4,536
Title III, Part A - English Language Acquisition	84.365	17671001120901	12,768
Title VI, B, SP 2, RUR	84.358	17696001120901	31,222
IDEA-B Formula	84.027	176600011209016	618,082
Summer School LEP	84.369	79551302	1,165
Carl D. Perkins Basic Formula	84.048	17420006120901	18,275
Special Education Cluster			
IDEA-B Preschool	84.173	176610011209016	16,941
IDEA-B Preschool	84.173	186610011209016	2,355
Total U.S. Department of Education			1,094,992
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Texas Education Agency:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	71401701	117,480
National School Lunch Program	10.555	71301701	422,977
USDA Commodity	10.565	120901A	59,160
Total U.S. Department of Agriculture			599,617
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,694,609

Reconciliation of Federal Revenue:

Federal Revenue from E-Rate	\$ 49,222
SHARS Reimbursement	455,733
Passed through ESC Region 3 SSA	4,320
Passed through SSA IDEA-B Formula	115,380
Total Federal Revenue per Exhibit C-2	\$ 2,319,264

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2017

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: SUBRECIPIENTS

The District is the fiscal agent for a share services arrangement. The District provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
IDEA - B	84.027	<u>\$ 306,331</u>

NOTE 3: INDIRECT COST RATE

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

EDNA
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO
SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1
For the Year Ended August 31, 2017

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the annual financial report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the District receive a clean audit? - Was there an unqualified opinion in the annual financial report?	Yes
SF5	Did the annual financial report disclose any instances of material weaknesses in internal controls?	No
SF6	Was there any disclosure in the annual financial report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the District make timely payments to the Teachers Retirement System, Texas Workforce Commission, Internal Revenue Service, and other government agencies?	Yes
SF8	Did the District not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end?	\$ -
SF11	Net pension assets (1920) at fiscal year end	\$ -
SF12	Net pension liabilities (2540) at fiscal year end	\$ 3,121,377

