

ANNUAL FINANCIAL REPORT

of the

**EDNA
INDEPENDENT SCHOOL DISTRICT**

**For the Year Ended
August 31, 2016**

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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, 2016, at a meeting of the Board of Trustees of such school district on the 21st 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, 2016, 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.

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Governmental
Audit Quality Center

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, 2016, 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, and other supplementary information 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* (CFR) 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, and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report November 4, 2016 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 4, 2016

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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, 2016

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, 2016. 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, 2016 was \$30,410,354.
- For the fiscal year ended August 31, 2016, the District's general fund reported a total fund balance of \$6,980,365, of which \$18,014 is reserved for inventories and prepaid items, and \$6,962,351 is unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects fund) reported combined ending fund balances of \$7,966,834.

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

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INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, (Continued)
For the Year Ended August 31, 2016

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 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 inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other non-financial 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

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INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, (Continued)
For the Year Ended August 31, 2016

provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *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 \$30,410,354 at August 31, 2016. *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, 2016. The District reported a decrease of \$12,559 in combined net position from the prior year. A decrease in property tax revenue, along with increases in pension liability and expenses in instruction contributed to the decrease in combined net position.

Table 1
Net Position

Description	Governmental Activities		Total Change
	2016	2015	2016-2015
Current assets	\$ 9,021,931	\$ 10,641,779	\$ (1,619,848)
Capital assets	42,370,248	41,558,947	811,301
Total Assets	51,392,179	52,200,726	(808,547)
Deferred charge on refunding	496,563	672,170	(175,607)
Deferred outflow - pensions	1,793,657	672,170	1,121,487
Total Deferred Outflows of Resources	2,290,220	672,170	1,121,487
Current liabilities	773,251	877,827	(104,576)
Long-term liabilities	19,225,512	21,204,955	(1,979,443)
Total Liabilities	19,998,763	22,082,782	(2,084,019)
Deferred inflow - pensions	161,821	367,201	(205,380)
Total Deferred Inflows of Resources	161,821	367,201	(205,380)
Net Position			
Net invested in capital assets	19,260,024	22,398,947	(3,138,923)
Restricted	154,312	831,312	(677,000)
Unrestricted	10,996,018	7,192,654	3,803,364
Total Net Position	\$ 30,410,354	\$ 30,422,913	\$ (12,559)

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INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, (Continued)
For the Year Ended August 31, 2016

Table 2
Changes in Net Position

	Governmental Activities		Total Change
	2016	2015	2016-2015
Revenues:			
Program revenues:			
Charges for services	\$ 1,033,711	\$ 625,455	\$ 408,256
Operating grants and contributions	2,428,630	2,710,969	(282,339)
General revenues:			
Property taxes	6,447,447	8,040,544	(1,593,097)
Grants and contributions not restricted for specific programs	8,109,775	6,547,491	1,562,284
Investment earnings	34,787	39,562	(4,775)
Other revenue	290,483	534,174	(243,691)
Total Revenue	18,344,833	18,498,195	(153,362)
Expenses:			
Instruction	9,279,082	8,955,337	323,745
Instructional resources and media services	224,184	203,895	20,289
Curriculum/instructional staff development	118,170	87,273	30,897
Instructional leadership	370,539	339,613	30,926
School leadership	1,033,742	950,874	82,868
Guidance, counseling, evaluation services	559,251	574,885	(15,634)
Health services	198,983	167,025	31,958
Student (pupil) transportation	399,898	382,674	17,224
Food services	906,710	874,684	32,026
Extracurricular activities	977,038	1,013,114	(36,076)
General administration	769,739	665,980	103,759
Plant maintenance and operations	1,914,295	2,001,792	(87,497)
Security and monitoring services	58,957	54,144	4,813
Data processing services	55,930	75,996	(20,066)
Community services	2,724	1,704	1,020
Debt service - interest on long term debt	518,039	597,483	(79,444)
Bond issuance cost	82,448	-	82,448
Payments to fiscal agent/member districts of SSA	666,926	270,159	396,767
Capital outlay	-	69,494	(69,494)
Other intergovernment charges	220,737	221,424	(687)
Total Expenses	18,357,392	17,507,550	849,842
Change in Net Position	(12,559)	990,645	(1,003,204)
Beginning net position	30,422,913	29,432,268	990,645
Ending Net Position	\$ 30,410,354	\$ 30,422,913	\$ (12,559)

EDNA
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, (Continued)
For the Year Ended August 31, 2016

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2016, the District's governmental funds reported a combined fund balance of \$7,966,834. This compares to a combined fund balance of \$9,543,094 at August 31, 2015. The fund balance in the general fund decreased due to an increase in expenditures in the functional areas of instruction and payments to member districts of shared services arrangements and expenditures for the auditorium construction. The fund balance in the debt service fund increased due to debt service payments less 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. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2016, 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 \$255,197 and the budgeted expenditures exceeded actual expenditures by \$454,570.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) of an amount determined by the Board. During the fiscal year ended August 31, 2016, 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, 2016, the District had a total of \$42,370,248 invested in capital assets (net of depreciation) such as land, construction in progress, buildings, and District equipment. This total includes \$2,517,828 invested during the fiscal year ended August 31, 2016.

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

LONG-TERM DEBT

At year end, the District had \$18,265,000 in general obligation bonds outstanding versus \$19,160,000 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 2016-2017 school year total \$13,314,614 and the District's Board of Trustees adopted an M & O tax rate of \$1.0400 and an I & S rate of \$0.2567 for a combined rate of \$1.2967.

EDNA
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, (Continued)
For the Year Ended August 31, 2016

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, 2016

Data Control Codes		1 Governmental Activities
	<u>Assets</u>	
1110	Cash and cash equivalents	\$ 1,527,027
1120	Investments	5,571,776
1225	Property taxes receivable (net)	305,472
1240	Due from other governments	1,599,642
1410	Prepaid items	18,014
		<u>9,021,931</u>
	Capital assets:	
1510	Land	201,179
1520	Buildings and improvements, net	38,808,119
1530	Equipment and vehicles, net	1,359,850
1580	Construction in progress	2,001,100
		<u>42,370,248</u>
1000	Total Assets	<u><u>51,392,179</u></u>
	<u>Deferred Outflows of Resources</u>	
1700	Deferred charge on refunding	496,563
1705	Deferred outflows - pensions	1,793,657
	Total Deferred Outflows of Resources	<u><u>2,290,220</u></u>
	<u>Liabilities</u>	
2110	Accounts payable	94,412
2140	Interest payable	23,626
2160	Wage payable	640,586
2200	Accrued expenditures	14,627
		<u>773,251</u>
	Noncurrent liabilities:	
2501	Long-term liabilities due within	
2501	one year	910,000
2502	Long-term liabilities due in more	
2502	than one year	18,315,512
2540	Net pension liability	3,111,461
2000	Total Liabilities	<u><u>23,110,224</u></u>
	<u>Deferred Inflows of Resources</u>	
2605	Deferred inflows - pensions	<u>161,821</u>
	<u>Net Position</u>	
3200	Net investment in capital assets	19,260,024
	Restricted for:	
3820	Federal and state programs	154,312
3900	Unrestricted	10,996,018
3000	Total Net Position	<u><u>\$ 30,410,354</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, 2016

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	\$ 9,279,082	\$ -	\$ 1,662,844	\$ (7,616,238)
12	Instructional resources				
12	and media services	224,184	-	-	(224,184)
13	Curriculum/instructional				
13	staff development	118,170	-	-	(118,170)
21	Instructional leadership	370,539	-	166,922	(203,617)
23	School leadership	1,033,742	-	-	(1,033,742)
31	Guidance, counseling,				
31	evaluation services	559,251	-	-	(559,251)
32	Social work services				
33	Health services	198,983	-	-	(198,983)
34	Student (pupil) transportation	399,898	-	-	(399,898)
35	Food services	906,710	239,872	598,864	(67,974)
36	Extracurricular activities	977,038	793,839	-	(183,199)
41	General administration	769,739	-	-	(769,739)
51	Plant maintenance and operations	1,914,295	-	-	(1,914,295)
52	Security and monitoring services	58,957	-	-	(58,957)
53	Data processing services	55,930	-	-	(55,930)
61	Community services	2,724	-	-	(2,724)
72	Debt service - interest on				
72	long term debt	518,039	-	-	(518,039)
73	Bond issuance cost	82,448	-	-	(82,448)
93	Payments to fiscal agent/member				
93	districts of SSA	666,926	-	-	(666,926)
99	Other intergovernment charges	220,737	-	-	(220,737)
	Total Governmental Activities	<u>\$ 18,357,392</u>	<u>\$ 1,033,711</u>	<u>\$ 2,428,630</u>	<u>(14,895,051)</u>
TP	Total Primary Government	<u>\$ 18,357,392</u>	<u>\$ 1,033,711</u>	<u>\$ 2,428,630</u>	<u>(14,895,051)</u>
	General Revenues				
MT	Property taxes, levied for general purposes				4,948,262
DT	Property taxes, levied for debt service				1,499,185
GC	Grants and contributions not restricted				
GC	for specific programs				8,109,775
IE	Investment earnings				34,787
MI	Miscellaneous local and intermediate revenue				290,483
TR					
	Total General Revenues				<u>14,882,492</u>
CN					
	Change in Net Position				<u>(12,559)</u>
NB	Beginning net position				<u>30,422,913</u>
NE					
	Ending in Net Position				<u>\$ 30,410,354</u>

See Notes to Financial Statements.

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EDNA INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2016

Data Control Codes		10	50	Other Governmental Funds	98 Total Governmental Funds
		General	Debt Service		
	Assets:				
1110	Cash and cash equivalents	\$ 622,220	\$ 823,926	\$ 80,881	\$ 1,527,027
1120	Investments	5,571,776	-	-	5,571,776
1220	Taxes receivable	490,533	108,919	-	599,452
1230	Allowance for uncollectible taxes	(246,734)	(47,246)	-	(293,980)
1240	Due from other governments	1,410,210	8,231	181,201	1,599,642
1260	Due from other funds	954	-	-	954
1410	Prepaid items	18,014	-	-	18,014
1000	Total Assets	<u>\$ 7,866,973</u>	<u>\$ 893,830</u>	<u>\$ 262,082</u>	<u>\$ 9,022,885</u>
	Liabilities:				
2110	Accounts payable	\$ 94,412	\$ -	\$ -	\$ 94,412
2160	Accrued wages payable	537,512	-	103,074	640,586
2170	Due to other funds	954	-	-	954
2200	Accrued expenditures	9,931	-	4,696	14,627
2000	Total Liabilities	<u>642,809</u>	<u>-</u>	<u>107,770</u>	<u>750,579</u>
	Deferred Inflows of Resources:				
2600	Unavailable revenue-property taxes	<u>243,799</u>	<u>61,673</u>	<u>-</u>	<u>305,472</u>
	Fund Balances:				
	Non-spendable:				
3430	Prepaid items	18,014	-	-	18,014
3480	Restricted:				
	Debt service	-	832,157	-	832,157
3600	Unassigned	6,962,351	-	-	6,962,351
	Assigned, reported in:				
3950	Nonmajor Special revenue funds	-	-	154,312	154,312
3000	Total Fund Balances	<u>6,980,365</u>	<u>832,157</u>	<u>154,312</u>	<u>7,966,834</u>
4000	Total Liabilities , Deferred Inflows of Resources and Fund Balances	<u>\$ 7,866,973</u>	<u>\$ 893,830</u>	<u>\$ 262,082</u>	<u>\$ 9,022,885</u>

See Notes to Financial Statements.

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

August 31, 2016

Total fund balances for governmental funds	7,966,834
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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 - non-depreciable	2,202,279	
Capital assets - depreciable	40,167,969	
	40,167,969	42,370,248

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

Accrued interest	(23,626)	
Deferred outflows - pensions	1,793,657	
Deferred tax revenue	305,472	
Amortization of loss on bond refunding	496,563	
Deferred inflows - pensions	(161,821)	
Non-current liabilities due in one year	(910,000)	
Non-current liabilities due in more than one year	(21,426,973)	
	(21,426,973)	(19,926,728)

Net Position of Governmental Activities	\$ 30,410,354
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See Notes to Financial Statements.

EDNA
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - EXHIBIT C-2

For the Year Ended August 31, 2016

Data Control Codes		10	50		98
		General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues					
5700	Local, intermediate, and out-of-state	\$ 5,531,285	\$ 1,502,073	\$ 1,033,711	\$ 8,067,069
5800	State program revenues	8,036,516	39,990	64,946	8,141,452
5900	Federal program revenues	32,716	-	2,363,684	2,396,400
5020	Total Revenues	<u>13,600,517</u>	<u>1,542,063</u>	<u>3,462,341</u>	<u>18,604,921</u>
Expenditures					
0011	Instruction	6,954,048	-	1,610,092	8,564,140
0012	Instructional resources/media services	194,530	-	9,510	204,040
0013	Curriculum and staff development	107,159	-	920	108,079
0021	Instructional leadership	157,848	-	177,168	335,016
0023	School leadership	938,304	-	75	938,379
0031	Guidance, counseling, and				
0031	evaluation services	239,485	-	264,972	504,457
0033	Health services	128,380	-	53,068	181,448
0034	Student (pupil) transportation	365,138	-	-	365,138
0035	Food service	1,245	-	830,953	832,198
0036	Extracurricular activities	884,878	-	-	884,878
0041	General administration	600,694	-	105,493	706,187
0051	Plant maintenance and operations	1,770,041	-	-	1,770,041
0052	Security and monitoring services	54,175	-	-	54,175
0053	Data processing services	51,105	-	-	51,105
0061	Community services	2,500	-	-	2,500
Debt service:					
0071	Principal	-	895,000	-	895,000
0072	Interest	-	547,666	-	547,666
0073	Bond issuance costs and fees	-	82,448	-	82,448
Capital outlay:					
0081	Facilities acquisition and construction	2,345,772	-	-	2,345,772
Intergovernmental:					
0093	Shared services arrangements	299,253	-	367,673	666,926
0099	Other intergovernmental charges	220,737	-	-	220,737
6030	Total Expenditures	<u>15,315,292</u>	<u>1,525,114</u>	<u>3,419,924</u>	<u>20,260,330</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,714,775)</u>	<u>16,949</u>	<u>42,417</u>	<u>(1,655,409)</u>
Other Financing Sources (Uses)					
7911	Issuance of bonds	-	1,505,000	-	1,505,000
7916	Premium/discount on issuance of bonds	-	176,952	-	176,952
8940	Payment to bond escrow agent	-	(1,602,803)	-	(1,602,803)
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>79,149</u>	<u>-</u>	<u>79,149</u>
1200	Net Change in Fund Balances	<u>(1,714,775)</u>	<u>96,098</u>	<u>42,417</u>	<u>(1,576,260)</u>
0100	Beginning fund balances	<u>8,695,140</u>	<u>736,059</u>	<u>111,895</u>	<u>9,543,094</u>
3000	Ending Fund Balances	<u>\$ 6,980,365</u>	<u>\$ 832,157</u>	<u>\$ 154,312</u>	<u>\$ 7,966,834</u>

See Notes to Financial Statements.

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, 2016

Net changes in fund balances - total governmental funds	\$	(1,576,260)
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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		(1,387,169)
Capital outlay (net of disposed assets)		2,198,470

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		59,270
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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		895,000
Accrued interest		1,718
Amortization of loss on refunding		64,699
Amortization of premiums		(115,939)

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		(1,911,079)
Net change in pension deferred outflows and inflows		1,758,731

Change in Net Position of Governmental Activities	\$	(12,559)
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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, 2016

<u>Data Control Codes</u>			<u>Total Agency Funds</u>
	<u>Assets</u>		
1110	Cash and cash equivalents		\$ 92,861
1000		Total Assets	<u>\$ 92,861</u>
	<u>Liabilities</u>		
2190	Due to student groups		\$ 92,861
2000		Total Liabilities	<u>\$ 92,861</u>

See Notes to Financial Statements.

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EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended August 31, 2016

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.

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2016

Major individual governmental funds are reported as separate columns in the fund financial statements.

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 considered a major fund for reporting purposes.

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.

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2016

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 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.

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2016

2. Investments

In accordance with GASB Statement No. 31, "*Accounting and Reporting for Certain Investments and External Investment Pools*," the District reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

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.

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2016

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

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

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 four 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. 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 two items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred inflows 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. This amount is 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

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2016

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 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 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.

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2016

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 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

EDNA

INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, (Continued)

For the Year Ended August 31, 2016

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.

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. The District budgets the capital projects fund for each *project*, which normally covers multiple years. 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

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, 2016**, 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. At year end, the District had \$5,571,776 invested.

At **August 31, 2016**, the District's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

<u>Investments</u>	<u>Maturity</u>	<u>Market Value</u>	<u>Rating</u>
Prosperity Bank	N/A	\$ 4,311,343	N/A
Lone Star Investment Pool	N/A	<u>1,260,433</u>	AAA
Total		<u>\$ 5,571,776</u>	

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2016

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	58,290	1,942,810	-	2,001,100
Total capital assets not being depreciated	<u>259,469</u>	<u>1,942,810</u>	<u>-</u>	<u>2,202,279</u>
Other capital assets:				
Buildings and improvements	47,993,078	411,059	(547,471)	47,856,666
Equipment and vehicles	2,836,660	163,959	-	3,000,619
Total other capital assets	<u>50,829,738</u>	<u>575,018</u>	<u>(547,471)</u>	<u>50,857,285</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,108,965)	(1,167,695)	228,113	(9,048,547)
Equipment and vehicles	(1,421,295)	(219,474)	-	(1,640,769)
Total accumulated depreciation	<u>(9,530,260)</u>	<u>(1,387,169)</u>	<u>228,113</u>	<u>(10,689,316)</u>
Other capital assets, net	41,299,478	(812,151)	(319,358)	40,167,969
Governmental Activities				
Capital Assets, Net	<u>\$ 41,558,947</u>	<u>\$ 1,130,659</u>	<u>\$ (319,358)</u>	<u>\$ 42,370,248</u>

Depreciation was charged to governmental functions as follows:

	Governmental Activities
11 Instruction	\$ 766,671
12 Instructional resources/media services	18,253
13 Curriculum and staff development	9,677
21 Instructional leadership	29,996
23 School leadership	84,018
31 Guidance, counseling, and evaluation services	45,167
33 Health services	16,246
34 Student (pupil) transportation	32,693
35 Food service	74,512
36 Extracurricular activities	85,401
41 General administration	56,470
51 Plant maintenance and operations	158,483
52 Security and monitoring services	4,782
53 Data processing services	4,576
61 Community services	224
Total Depreciation Expense	<u>\$ 1,387,169</u>

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2016

C. Long-Term Debt

Advance Refunding

The District issued \$1,505,000 in general obligation bonds with interest rates ranging from 3.00% to 4.00% and maturing February 15, 2031. The proceeds were used to advance refund \$1,505,000 of outstanding Series 2007 general obligation bonds which had interest rates ranging from 4.50% to 5.00%. The net proceeds of \$1,602,803 (including a \$176,953 premium and payment of \$79,150 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, a portion of the Series 2007 general obligation bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position.

The reacquisition price exceeded the net carrying amount of the old debt by \$97,803. This amount is being netted against the new debt and amortized over the remaining life of the refunding 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 2006 Schoolhouse Bonds	\$ 325,000	\$ -	\$ (325,000)	\$ -	\$ -
Series 2007 Schoolhouse Bonds	1,650,000	-	(1,575,000)	75,000	75,000
Series 2011 Schoolhouse Bonds	5,915,000	-	(65,000)	5,850,000	70,000
Series 2011 QSC Bonds	4,290,000	-	(390,000)	3,900,000	390,000
Series 2014 Tax Refunding Bonds	6,980,000	-	(35,000)	6,945,000	375,000
Series 2015 Refunding Bonds	-	1,505,000	(10,000)	1,495,000	-
	<u>19,160,000</u>	<u>1,505,000</u>	<u>(2,400,000)</u>	<u>18,265,000</u>	<u>910,000</u>
Other liabilities:					
Unamortized bond premium	844,573	176,952	(61,013)	960,512	-
Net pension liability	<u>1,200,382</u>	<u>1,911,079</u>	<u>-</u>	<u>3,111,461</u>	<u>-</u>
Total Governmental Activities	<u>\$ 20,360,382</u>	<u>\$ 3,416,079</u>	<u>\$ (2,400,000)</u>	<u>\$ 22,336,973</u>	<u>\$ 910,000</u>
		Long-term liabilities due in more than one year		<u>\$ 21,426,973</u>	

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.

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2016

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

Year Ended August 31	Principal	Interest	Total Requirements
2017	\$ 910,000	\$ 536,890	\$ 1,446,890
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
2022-2026	5,180,000	2,101,373	7,281,373
2027-2031	5,545,000	1,300,069	6,845,069
2032-2036	2,830,000	368,250	3,198,250
Totals	\$ 18,265,000	\$ 6,319,265	\$ 24,584,265

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.

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2016

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.

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

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INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, (Continued)

For the Year Ended August 31, 2016

fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2015 Employer Contributions	\$260,637	
2015 Member Contributions	\$226,747	
2015 NECE On-behalf Contributions	\$450,464	

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.

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INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, (Continued)

For the Year Ended August 31, 2016

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

- When employing a retiree of the 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.

Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2015
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	2.50%
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 4-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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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2016

Best estimates of geometric real rates of return for each major asset class included in TMRS's target asset allocation as of August 31, 2015 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2015

	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 Value			
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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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2016

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 01% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 net pension liability.

	1% Decrease in Discount Rate 7.0%	Discount Rate 8.0%	1% Increase in Discount Rate 9.0%
District's proportionate share of the net pension Liability	<u>\$4,875,073</u>	<u>\$3,111,461</u>	<u>\$1,642,482</u>

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

At August 31, 2016, the District reported a liability of \$3,111,461 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	\$ 3,111,461
State's proportionate share that is associated with the District	<u>5,376,004</u>
Total	<u>\$ 8,487,465</u>

The net pension liability was measured as of August 31, 2015 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, 2014 through August 31, 2015.

At August 31, 2015, the District's proportion of the collective net pension liability was 0.000088022%, which was a decrease of 0.004405878% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation – The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2016

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2016

For the year ended August 31, 2016, the District recognized pension expense of \$263,859 and revenue of \$8,036,516 for support provided by the State.

At August 31, 2016, 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	\$ -	\$ (106,361)
Changes in actuarial assumptions	-	(55,460)
Difference between projected and actual investment earnings	546,151	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	983,647	-
Contributions paid to TRS subsequent to the measurement date	263,859	-
Total	\$ 1,793,657	\$ (161,821)

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 8/31	Pension Expenses
2017	\$ 259,679
2018	259,679
2019	259,679
2020	333,055
2021	140,661
Thereafter	115,222
Total	\$ 1,367,976

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.

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2016

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 2016 and 2015. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2016, 2015, and 2014, the State's contributions to TRS-Care were \$6,877, \$18,798, and \$17,366, respectively; the active member contributions were \$58,705, \$56,060 and \$56,565, respectively; and the District's contributions were \$49,674, \$47,436 and \$47,888, 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, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$34,796, \$35,279, and \$20,503, respectively.

E. Employee Health Care Coverage

During the year ended **August 31, 2016**, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$300 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependants. 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, 2016 and terms of coverage and premiums costs are included in the contractual provisions.

F. Workers' Compensation Insurance

During the year ended August 31, 2016, the District met its statutory workers' compensation obligations through Texas Mutual Insurance Company.

G. Unemployment Compensation

During the year ended **August 31, 2016**, 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 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;

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2016

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, 2015 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	\$ 432,704
Industrial ISD	347,734
Ganado ISD	222,979
Total	\$ 1,003,417

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>	<u>Discretionary</u>
Edna ISD	\$ 150,169	\$ 11,971	\$ -
Industrial ISD	94,400	4,605	-
Ganado ISD	63,738	1,382	96,624
Total	\$ 308,307	\$ 17,958	\$ 96,624

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, 2016

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local, intermediate, and out-of-state	\$ 5,269,674	\$ 5,417,124	\$ 5,531,285	\$ 114,161
5800	State program revenues	7,872,861	7,900,196	8,036,516	136,320
5900	Federal program revenues	-	28,000	32,716	4,716
5020	Total Revenues	<u>13,142,535</u>	<u>13,345,320</u>	<u>13,600,517</u>	<u>255,197</u>
	Expenditures				
0011	Instruction	7,162,121	6,973,191	6,954,048	19,143
0012	Instructional resources/media services	186,437	205,720	194,530	11,190
0013	Curriculum and staff development	81,180	125,437	107,159	18,278
0021	Instructional leadership	161,114	172,114	157,848	14,266
0023	School leadership	919,257	945,757	938,304	7,453
0031	Guidance, counseling, and				
0031	evaluation services	245,926	244,249	239,485	4,764
0033	Health services	127,686	128,831	128,380	451
0034	Student (pupil) transportation	568,304	533,199	365,138	168,061
0035	Food service	6,900	6,900	1,245	5,655
0036	Extracurricular activities	801,098	909,639	884,878	24,761
0041	General administration	617,712	623,712	600,694	23,018
0051	Plant maintenance and operations	1,617,993	1,797,168	1,770,041	27,127
0052	Security and monitoring services	52,163	54,763	54,175	588
0053	Data processing services	72,919	54,919	51,105	3,814
0061	Community services	2,800	2,800	2,500	300
	Capital outlay:				
0081	Facilities acquisition and construction	-	2,467,538	2,345,772	121,766
	Intergovernmental:				
0093	Shared services arrangements	302,925	302,925	299,253	3,672
0099	Other intergovernmental charges	216,000	221,000	220,737	263
6030	Total Expenditures	<u>13,142,535</u>	<u>15,769,862</u>	<u>15,315,292</u>	<u>454,570</u>
1200	Net Change in Fund Balances	-	(2,381,538)	(1,714,775)	666,763
0100	Beginning fund balances	8,695,140	8,695,140	8,695,140	-
3000	Ending Fund Balances	<u>\$ 8,695,140</u>	<u>\$ 6,313,602</u>	<u>\$ 6,980,365</u>	<u>\$ 666,763</u>

See Notes to Required Supplementary Information

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, 2016

	<u>Year 2015*</u>	<u>Year 2014*</u>
District's proportion of the net pension liability (asset)	0.0088022%	0.0044939%
District's proportionate share of the net pension liability (asset)	\$ 3,111,461	\$ 1,200,382
State's proportionate share of the net pension liability (asset) associated with the District	<u>5,376,004</u>	<u>4,481,720</u>
Total	<u><u>\$ 8,487,465</u></u>	<u><u>\$ 5,682,102</u></u>
District's covered employee payroll**	\$ 8,697,318	\$ 7,687,454
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	35.77%	15.61%
Plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%

*Only two 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, 2016

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

* Only three 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, 2016

Data Control Codes		211 ESEA Title 1 Improving Basic Programs	224 IDEA-B Formula	240 National School Breakfast/ Lunch	244 Career and Tech
	<u>Assets</u>				
1110	Cash and cash equivalents	\$ (8,124)	\$ -	\$ 26,596	\$ -
1240	Due from other governments	26,549	8,366	23,740	-
1000	Total Assets	\$ 18,425	\$ 8,366	\$ 50,336	\$ -
	<u>Liabilities</u>				
2160	Accrued wages payable	\$ 17,444	\$ 7,621	\$ -	\$ -
2200	Accrued expenditures	981	745	-	-
2000	Total Liabilities	18,425	8,366	-	-
	<u>Fund Balances</u>				
	Assigned, reported in nonmajor:				
3450	Grant funds	-	-	50,336	-
3000	Total Fund Balances	-	-	50,336	-
4000	Total Liabilities and Fund Balances	\$ 18,425	\$ 8,366	\$ 50,336	\$ -

255	263	270	313	314	315
ESEA Title II Training & Recruiting	English Language Acquisition & Enhancement	ESEA Title VI Part B Subart 2	IDEA-B Formula	IDEA-B Preschool	IDEA-B Residential
\$ -	\$ -	\$ -	\$ (94,205)	\$ (1,811)	\$ -
8,246	-	-	107,584	3,886	-
<u>\$ 8,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,379</u>	<u>\$ 2,075</u>	<u>\$ -</u>
\$ 7,520	\$ -	\$ -	\$ 12,202	\$ 1,890	\$ -
726	-	-	1,177	185	-
<u>8,246</u>	<u>-</u>	<u>-</u>	<u>13,379</u>	<u>2,075</u>	<u>-</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 8,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,379</u>	<u>\$ 2,075</u>	<u>\$ -</u>

EDNA
INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 2 of 2)
August 31, 2016

		385	410	429	437
Data		Supplementary			Student
Control		Visually	State	State	Success
Codes		Impaired	Textbook	Pre-K	Initiative
<u>Assets</u>					
1110	Cash and cash equivalents	\$ -	\$ (1,415)	\$ 1,400	\$ 133,439
1240	Due from other governments	-	1,415	1,415	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,815</u>	<u>\$ 133,439</u>
<u>Liabilities</u>					
2160	Accrued wages payable	\$ -	\$ -	\$ 1,415	\$ 54,982
2200	Accrued expenditures	-	-	-	882
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>1,415</u>	<u>55,864</u>
<u>Fund Balances</u>					
Assigned, reported in nonmajor:					
3490	Other restrictions of fund balance	-	-	1,400	77,575
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>1,400</u>	<u>77,575</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,815</u>	<u>\$ 133,439</u>

461		Total Nonmajor Governmental Funds	
Campus Activity			
\$	25,001	\$	80,881
	-		181,201
\$	25,001	\$	262,082
\$	-	\$	103,074
	-		4,696
	-		107,770
	25,001		154,312
	25,001		154,312
\$	25,001	\$	262,082

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, 2016

Data Control Codes		211 ESEA Title 1 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	\$ -	\$ -	\$ 239,872	\$ -
5800	State program revenues	-	-	4,340	-
5900	Federal program revenues	349,571	166,922	594,524	17,938
5020	Total Revenues	<u>349,571</u>	<u>166,922</u>	<u>838,736</u>	<u>17,938</u>
	<u>Expenditures</u>				
0011	Instruction	349,072	166,922	-	17,938
0012	Instructional resources/media services	-	-	-	-
0013	Curriculum and staff development	-	-	-	-
0021	Instructional leadership	424	-	-	-
0023	School leadership	75	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	830,953	-
0041	General administration	-	-	-	-
0093	Shared service arrangements	-	-	-	-
6030	Total Expenditures	<u>349,571</u>	<u>166,922</u>	<u>830,953</u>	<u>17,938</u>
1200	Net Change in Fund Balances	-	-	7,783	-
0100	Beginning fund balances	-	-	42,553	-
3000	Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,336</u>	<u>\$ -</u>

255	263	270	313	314	315
ESEA Title II Training & Recruiting	English Language Acquisition & Enhancement	ESEA Title VI Part B Subart 2	IDEA-B Formula	IDEA-B Preschool	IDEA-B Residential
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
82,925	13,066	30,716	656,822	17,958	96,624
82,925	13,066	30,716	656,822	17,958	96,624
82,925	12,316	30,716	48,417	17,958	96,624
-	-	-	-	-	-
-	750	-	170	-	-
-	-	-	48,944	-	-
-	-	-	-	-	-
-	-	-	191,450	-	-
-	-	-	168	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	367,673	-	-
82,925	13,066	30,716	656,822	17,958	96,624
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2016

		385	410	429	437
Data		Supplementary			Student
Control		Visually	State	State	Success
Codes		Impaired	Textbook	Pre-K	Initiative
<u>Revenues</u>					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ 694,752
5800	State program revenues	3,724	54,067	2,815	-
5900	Federal program revenues	-	-	-	336,618
5020	Total Revenues	<u>3,724</u>	<u>54,067</u>	<u>2,815</u>	<u>1,031,370</u>
<u>Expenditures</u>					
0011	Instruction	3,724	54,067	1,415	719,194
0012	Instructional resources/media services	-	-	-	-
0013	Curriculum and staff development	-	-	-	-
0021	Instructional leadership	-	-	-	127,800
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	-	-	73,522
0033	Health services	-	-	-	52,900
0035	Food service	-	-	-	-
0041	General administration	-	-	-	30,000
0093	Shared service arrangements	-	-	-	-
6030	Total Expenditures	<u>3,724</u>	<u>54,067</u>	<u>1,415</u>	<u>1,003,416</u>
1200	Net Change in Fund Balances	-	-	1,400	27,954
0100	Beginning fund balances	-	-	-	49,621
3000	Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,400</u>	<u>\$ 77,575</u>

461		Total Nonmajor Governmental Funds	
Campus Activity			
\$	99,087	\$	1,033,711
	-		64,946
	-		2,363,684
	99,087		3,462,341
	8,804		1,610,092
	9,510		9,510
	-		920
	-		177,168
	-		75
	-		264,972
	-		53,068
	-		830,953
	75,493		105,493
	-		367,673
	93,807		3,419,924
	5,280		42,417
	19,721		111,895
\$	25,001	\$	154,312

EDNA
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1
For the Year Ended August 31, 2016

	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>	
2007 and prior	\$ Various	\$ Various	\$ Various
2008	\$ 1.0400	\$ 0.2500	\$ 421,552,558
2009	\$ 1.0400	\$ 0.2300	\$ 445,632,520
2010	\$ 1.0400	\$ 0.1769	\$ 426,885,364
2011	\$ 1.0400	\$ 0.1769	\$ 403,351,713
2012	\$ 1.0400	\$ 0.3382	\$ 386,197,141
2013	\$ 1.0400	\$ 0.3706	\$ 392,285,907
2014	\$ 1.0400	\$ 0.2696	\$ 498,057,498
2015	\$ 1.0400	\$ 0.2677	\$ 596,078,305
2016	\$ 1.0400	\$ 0.2567	\$ 567,882,667
Totals			

10	20	31	32	40	50
Beginning Balance 9/1/15	Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 8/31/16
\$ 109,403	\$ -	\$ 12,593	\$ 1,353	640	\$ 96,097
17,154	-	1,540	370	(19)	15,225
26,499	-	917	203	(44)	25,335
33,158	-	807	137	(120)	32,094
37,857	-	(9,108)	(1,551)	(13,045)	35,471
45,462	-	(9,069)	(2,977)	(15,671)	41,837
57,618	-	(8,567)	(3,055)	(20,319)	48,921
65,231	-	8,166	2,113	(5,726)	49,226
149,957	-	53,959	13,884	(12,678)	69,436
-	7,685,895	4,780,995	1,473,340	(1,245,750)	185,810
<u>\$ 542,339</u>	<u>\$ 7,685,895</u>	<u>\$ 4,832,233</u>	<u>\$ 1,483,817</u>	<u>\$ (1,312,732)</u>	<u>\$ 599,452</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, 2016

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
	<u>Revenues</u>				
5700	Local, intermediate, and out-of-state	\$ 237,565	\$ 237,565	\$ 239,872	\$ 2,307
5800	State program revenues	5,164	5,164	4,340	(824)
5900	Federal program revenues	604,125	613,125	594,524	(18,601)
5020	Total Revenues	<u>846,854</u>	<u>855,854</u>	<u>838,736</u>	<u>(17,118)</u>
	<u>Expenditures</u>				
0035	Food service	822,799	831,799	830,953	846
6030	Total Expenditures	<u>822,799</u>	<u>831,799</u>	<u>830,953</u>	<u>846</u>
1200	Net Change in Fund Balances	24,055	24,055	7,783	(17,964)
0100	Beginning fund balances	42,553	42,553	42,553	-
3000	Ending Fund Balances	<u>\$ 66,608</u>	<u>\$ 66,608</u>	<u>\$ 50,336</u>	<u>\$ (17,964)</u>

EDNA
INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE - EXHIBIT J-3
For the Year Ended August 31, 2016

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Revenues				
5700	Local, intermediate, and out-of-state	\$ 1,461,069	\$ 1,461,069	\$ 1,502,073	\$ 41,004
5800	State program revenues	-	39,990	39,990	-
5020	Total Revenues	<u>1,461,069</u>	<u>1,501,059</u>	<u>1,542,063</u>	<u>41,004</u>
	Expenditures				
	Debt service:				
0071	Principal	885,000	885,000	895,000	(10,000)
0072	Interest	573,069	573,069	547,666	25,403
0073	Bond issuance costs and fees	3,000	82,151	82,448	(297)
6030	Total Expenditures	<u>1,461,069</u>	<u>1,540,220</u>	<u>1,525,114</u>	<u>15,106</u>
1100	Excess of Revenues Over Expenditures	<u>-</u>	<u>(39,161)</u>	<u>16,949</u>	<u>25,898</u>
	Other Financing Sources (Uses)				
7911	Issuance of bonds	-	1,505,000	1,505,000	-
7916	Premium/discount on issuance of bonds	-	176,952	176,952	-
8940	Payment to bond escrow agent	-	(1,602,804)	(1,602,803)	(1)
7080	Total Other Financing Sources	<u>-</u>	<u>79,148</u>	<u>79,149</u>	<u>(1)</u>
1200	Net Change in Fund Balances	<u>-</u>	<u>39,987</u>	<u>96,098</u>	<u>25,897</u>
0100	Beginning fund balances	<u>736,059</u>	<u>736,059</u>	<u>736,059</u>	<u>-</u>
3000	Ending Fund Balances	<u>\$ 736,059</u>	<u>\$ 776,046</u>	<u>\$ 832,157</u>	<u>\$ 25,897</u>

FEDERAL AWARDS SECTION



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

November 4, 2016

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, 2016, 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 4, 2016.

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 4, 2016

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, 2016. 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, 2016.

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, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas

EDNA
INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended August 31, 2016

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings.

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EDNA
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2016

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	IDEA-B

8. The threshold for distinguishing Type A and B programs was \$300,000.
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, 2016

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	16610101120901	\$ 313,133
Title I, Part A - Improving Basic Programs	84.010	17610101120901	18,425
Title I, Priority & FOC	84.010	16610112120901000	18,013
Title II Part A - Teacher/Principal Training	84.367	16694501120901	74,679
Title II Part A - Teacher/Principal Training	84.367	17694501120901	8,246
Title III, Part A - English Language Acquisition	84.365	16671001120901	13,066
Title VI, B, SP 2, RUR	84.358	16696001120901	30,716
IDEA-B Formula	84.027	166600011209016	656,822
IDEA-B disc residential	84.027	166600121209016	96,624
CARL D. PERKINS basic formular	84.048	16420006120901	17,938
IDEA-B Preschool	84.173	166610011209016	15,882
IDEA-B Preschool	84.173	176610011209016	2,075
Total U.S. Department of Education			1,265,619
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Texas Education Agency:</i>			
School Breakfast Program	10.553	71401601	166,922
National School Lunch Program	10.555	71301601	556,647
USDA Commodity	10.565	120901A	37,877
Total U.S. Department of Agriculture			761,446
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,027,065
Reconciliation of Federal Revenue:			
Federal Revenue per SEFA			\$ 27,987
SHARS Reimbursement - General Fund			341,348
Total Federal Revenue per Exhibit C-2			\$ 369,335

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2016

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.

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EDNA
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO
SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1
For the Year Ended August 31, 2016

<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 school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end?	\$ -
SF11	Net pension aassets (1920) at fiscal year end	\$ -
SF12	Net pension liabilities (2540) at fiscal year end	\$ 3,111,461
SF13	Pension expense (6147) at fiscal year end	\$ 152,348

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