

ANNUAL FINANCIAL REPORT

of the

**EDNA
INDEPENDENT SCHOOL DISTRICT**

For the Year Ended
August 31, 2018

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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, 2018, at a meeting of the Board of Trustees of such school district on the 19th 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
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 Edna Independent School District (the "District"), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2018, 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.

Emphasis of Matter

Change in Accounting Principle

In 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedules of the District's proportionate share of the net pension and OPEB liability, and schedules of District contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of required responses to selected school first indicators are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report November 13, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
November 13, 2018

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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, 2018

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, 2018. 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, 2018 was \$24,589,384.
- For the fiscal year ended August 31, 2018, the District's general fund reported a total fund balance of \$7,655,719, of which \$16,812 is reserved for prepaid items and \$7,638,907 is unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds and the debt service fund) reported combined ending fund balances of \$8,806,850.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic statements include two kinds of statements that present different views of the District.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term*, as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the fiduciary resources belong. This fund includes student activity funds.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

EDNA
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, (Continued)
For the Year Ended August 31, 2018

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The District has the following kinds of funds:

- *Governmental Funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *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

EDNA
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, (Continued)
For the Year Ended August 31, 2018

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 \$24,589,384 at August 31, 2018. *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, 2018. Within *Table 2*, the prior year revenues and expenses have been updated to remove fund level on-behalf revenues and expenses (exclude Medicare Part D) for TRS contributions for comparative purposes, as a result of current year recognition changes. The District reported an increase of \$2,662,204 in combined net position from the prior year. The total assets increased \$657,527 mainly due to the current investment increase. The total liabilities decreased \$4,421,124 mainly due to the adjustment for the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* ("GASB No. 75") for OPEB liability, current year principal payments on outstanding bonds, and the current year amortization of unamortized bond premiums.

Table 1		Governmental		Total
Net Position		Activities		Change
Description	2018	2017	2018-2017	
Current assets	\$ 10,112,599	\$ 9,504,170	\$ 608,429	
Capital assets	41,799,567	41,750,469	49,098	
Total Assets	51,912,166	51,254,639	657,527	
Deferred charge on refunding	812,519	371,122	441,397	
Deferred outflows - pensions	1,076,761	1,489,415	(412,654)	
Deferred outflows - OPEB	81,917	61,411	20,506	
Total Deferred Outflows of Resources	1,971,197	1,921,948	49,249	
Current liabilities	875,040	745,133	129,907	
Long-term liabilities	25,773,311	30,324,342	(4,551,031)	
Total Liabilities	26,648,351	31,069,475	(4,421,124)	
Deferred inflows - pensions	496,980	179,932	317,048	
Deferred inflows - OPEB	2,148,648	-	2,148,648	
Total Deferred Inflows of Resources	2,645,628	179,932	2,465,696	
Net Position				
Net invested in capital assets	24,498,580	23,987,068	511,512	
Restricted	1,151,131	1,101,674	49,457	
Unrestricted	(1,060,327)	(3,161,562)	2,101,235	
Total Net Position	\$ 24,589,384	\$ 21,927,180	\$ 2,662,204	

EDNA
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, (Continued)
For the Year Ended August 31, 2018

Table 2
Changes in Net Position

	Governmental Activities		Total Change
	2018	2017	2018-2017
Revenues:			
Program revenues:			
Charges for services	\$ 1,105,300	\$ 1,039,679	\$ 65,621
Operating grants and contributions	573,530	3,221,888	(2,648,358)
General revenues:			
Property taxes	6,635,005	5,792,587	842,418
Grants and contributions not restricted for specific programs	7,963,354	8,095,475	(132,121)
Investment earnings	154,501	59,612	94,889
Other revenue	743,121	469,045	274,076
Total Revenues	17,174,811	18,678,286	(1,503,475)
Expenses:			
Instruction	6,695,558	9,027,826	(2,332,268)
Instructional resources and media services	112,702	142,732	(30,030)
Curriculum/instructional staff development	95,011	102,191	(7,180)
Instructional leadership	231,688	379,368	(147,680)
School leadership	635,569	1,051,391	(415,822)
Guidance, counseling, and evaluation services	304,853	597,223	(292,370)
Health services	169,257	184,865	(15,608)
Student (pupil) transportation	318,749	576,058	(257,309)
Food services	971,672	862,657	109,015
Extracurricular activities	961,753	1,152,782	(191,029)
General administration	516,042	694,307	(178,265)
Plant maintenance and operations	1,947,130	1,960,028	(12,898)
Security and monitoring services	55,424	54,415	1,009
Data processing services	63,031	80,792	(17,761)
Community services	1,178	-	1,178
Debt service - interest on long-term debt	458,664	480,777	(22,113)
Bond issuance cost	155,865	2,850	153,015
Payments to fiscal agent/member districts of SSA	612,710	591,806	20,904
Other intergovernmental charges	205,751	212,361	(6,610)
Total Expenses	14,512,607	18,154,429	(3,641,822)
Change in Net Position	2,662,204	523,857	2,138,347
Beginning net position	21,927,180	21,403,323	523,857
Ending Net Position	\$ 24,589,384	\$ 21,927,180	\$ 2,662,204

The total revenue decreased by \$1,503,475 mainly due to a negative on-behalf revenue recognition for OPEB which was partially offset by an increase in property tax revenues because of an increase in the assessed values of properties within the District. The total expenses decreased by \$3,641,822 mainly due to the decrease in expenses for instruction and school leadership related to on-behalf for OPEB.

EDNA
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, (Continued)
For the Year Ended August 31, 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2018, the District's governmental funds reported a combined fund balance of \$8,806,850. This compares to a combined fund balance of \$8,381,146 at August 31, 2017. The general fund fund balance of \$7,655,719 increased by \$376,247 during the fiscal year. Compared to the prior year, revenues increased by \$893,829 due mainly to an increase in property tax revenues from an increase in the assessed values of properties and payments received for Chapter 313 tax abatement agreements related to supplemental, revenue loss, and an agreement termination which was partially offset by the decrease in per capita apportionment. Compared to the prior year, expenditures increased by \$1,265,654 mainly due to the LED lighting upgrade, high school track resurface, and the purchase of a school bus in the current year. The fund balance in the debt service fund of \$772,147 increased by \$1,411, mainly due to the issuance of refunding bonds and partially offset by debt service payments being more than property tax revenue.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the period ended August 31, 2018, the District amended its budget as required by State law to reflect current levels of revenue and anticipated expenses. The budget was amended for unanticipated items throughout the year. The general fund's actual revenues exceeded budgeted revenues by \$202,670 mainly due to more State program revenues than anticipated. Budgeted expenditures exceeded actual expenditures by \$436,427 mainly due to the less expenditures than budgeted in transportation, facility acquisition and construction, and plant maintenance and operations.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost of an amount determined by the Board. Donated capital assets are recorded at acquisition value at the date of donation. During the fiscal year ended August 31, 2018, 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, 2018, the District had a total of \$41,799,567 invested in capital assets (net of depreciation) such as land, construction in progress, buildings, and District equipment. This total includes \$1,209,149 invested during the fiscal year ended August 31, 2018.

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

- LED lighting upgrade project for \$442,315
- High school track resurfaces for \$136,624
- 2018 International bus for \$100,612
- CTE computer lab for \$24,000
- VOIP phone system for \$21,977

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

EDNA
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, (Continued)
For the Year Ended August 31, 2018

LONG-TERM DEBT

At year end, the District had \$16,785,707 in outstanding bonds and a loan versus \$17,355,000 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 2018-2019 school year total \$15,794,859 and the District's Board adopted an M & O tax rate of \$1.06 and an I & S rate of \$0.22 for a combined rate of \$1.28 per \$100 assessed property value.

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

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EDNA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION - EXHIBIT A-1

August 31, 2018

Data Control Codes		1 Governmental Activities
	<u>Assets</u>	
1110	Cash and cash equivalents	\$ 1,300,312
1120	Investments	8,062,248
1225	Property taxes receivable (net)	452,310
1240	Due from other governments	280,917
1410	Prepaid items	16,812
		<u>10,112,599</u>
	Capital assets:	
1510	Land	201,179
1520	Buildings and improvements, net	39,743,356
1530	Equipment and vehicles, net	1,440,457
1580	Construction in progress	414,575
		<u>41,799,567</u>
1000	Total Assets	<u>51,912,166</u>
	<u>Deferred Outflows of Resources</u>	
1701	Deferred charge on refunding	812,519
1705	Deferred outflows - pensions	1,076,761
1706	Deferred outflows - OPEB	81,917
1700	Total Deferred Outflows of Resources	<u>1,971,197</u>
	<u>Liabilities</u>	
2110	Accounts payable	115,253
2140	Interest payable	21,601
2160	Wages payable	719,275
2200	Accrued expenditures	18,836
2300	Unearned revenue	75
		<u>875,040</u>
	Noncurrent liabilities:	
2501	Long-term liabilities due within	
2501	one year	1,000,353
2502	Long-term liabilities due in more	
2502	than one year	17,113,153
2540	Net pension liability	2,523,186
2545	Net OPEB liability	5,136,619
2000	Total Liabilities	<u>26,648,351</u>
	<u>Deferred Inflows of Resources</u>	
2605	Deferred inflows - pensions	496,980
2606	Deferred inflows - OPEB	2,148,648
2600	Total Deferred Inflows of Resources	<u>2,645,628</u>
	<u>Net Position</u>	
3200	Net investment in capital assets	24,498,580
	Restricted for:	
3820	Federal and state programs	44,814
3850	Debt service	772,147
3870	Campus activities	306,024
3890	Other purposes	28,146
3900	Unrestricted	(1,060,327)
3000	Total Net Position	<u>\$ 24,589,384</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, 2018

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	\$ 6,695,558	\$ -	\$ (412,237)	\$ (7,107,795)
12	Instructional resources				
12	and media services	112,702	-	(9,403)	(122,105)
13	Curriculum/instructional				
13	staff development	95,011	-	7,603	(87,408)
21	Instructional leadership	231,688	-	107,905	(123,783)
23	School leadership	635,569	-	(224,014)	(859,583)
31	Guidance, counseling, and				
31	evaluation services	304,853	-	172,077	(132,776)
32	Social work services	-	-	-	-
33	Health services	169,257	-	45,793	(123,464)
34	Student (pupil) transportation	318,749	-	(26,937)	(345,686)
35	Food services	971,672	244,933	663,651	(63,088)
36	Extracurricular activities	961,753	860,367	34,403	(66,983)
41	General administration	516,042	-	(59,891)	(575,933)
51	Plant maintenance and operations	1,947,130	-	(62,546)	(2,009,676)
52	Security and monitoring services	55,424	-	-	(55,424)
53	Data processing services	63,031	-	(1,554)	(64,585)
61	Community services	1,178	-	1,000	(178)
72	Debt service - interest on				
72	long-term debt	458,664	-	-	(458,664)
73	Bond issuance cost	155,865	-	-	(155,865)
93	Payments to fiscal agent/member				
93	districts of SSA	612,710	-	337,680	(275,030)
99	Other intergovernmental charges	205,751	-	-	(205,751)
	Total Governmental Activities	<u>\$ 14,512,607</u>	<u>\$ 1,105,300</u>	<u>\$ 573,530</u>	<u>(12,833,777)</u>
TP	Total Primary Government	<u>\$ 14,512,607</u>	<u>\$ 1,105,300</u>	<u>\$ 573,530</u>	<u>(12,833,777)</u>
General Revenues					
MT	Property taxes, levied for general purposes				5,236,093
DT	Property taxes, levied for debt service				1,398,912
GC	Grants and contributions not restricted				
GC	for specific programs				7,963,354
IE	Investment earnings				154,501
MI	Miscellaneous local and intermediate revenue				743,121
TR	Total General Revenues				<u>15,495,981</u>
CN	Change in Net Position				<u>2,662,204</u>
NB	Beginning net position				<u>21,927,180</u>
NE	Ending Net Position				<u>\$ 24,589,384</u>

See Notes to Financial Statements.

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

August 31, 2018

Data Control Codes		10	50	Other	98
		General	Debt Service	Governmental Funds	Total Governmental Funds
Assets:					
1110	Cash and cash equivalents	\$ 749,204	\$ 86,975	\$ 464,133	\$ 1,300,312
1120	Investments	7,380,088	682,160	-	8,062,248
1220	Taxes receivable	674,325	149,882	-	824,207
1230	Allowance for uncollectible taxes	(310,530)	(61,367)	-	(371,897)
1240	Due from other governments	57,824	3,012	220,081	280,917
1260	Due from other funds	112,577	-	-	112,577
1410	Prepaid items	16,812	-	-	16,812
1000	Total Assets	<u>\$ 8,680,300</u>	<u>\$ 860,662</u>	<u>\$ 684,214</u>	<u>\$ 10,225,176</u>
Liabilities:					
2110	Accounts payable	\$ 50,166	\$ -	\$ 65,087	\$ 115,253
2160	Accrued wages payable	598,234	-	121,041	719,275
2170	Due to other funds	-	-	112,577	112,577
2200	Accrued expenditures	12,311	-	6,525	18,836
2300	Unearned revenue	75	-	-	75
2000	Total Liabilities	<u>660,786</u>	<u>-</u>	<u>305,230</u>	<u>966,016</u>
Deferred Inflows of Resources:					
2600	Unavailable revenue-property taxes	<u>363,795</u>	<u>88,515</u>	<u>-</u>	<u>452,310</u>
Fund Balances:					
Nonspendable:					
3430	Prepaid items	16,812	-	-	16,812
Restricted:					
3450	Federal/state grant funds	-	-	44,814	44,814
3480	Debt service	-	772,147	-	772,147
3490	Other restrictions	-	-	334,170	334,170
3600	Unassigned	7,638,907	-	-	7,638,907
3000	Total Fund Balances	<u>7,655,719</u>	<u>772,147</u>	<u>378,984</u>	<u>8,806,850</u>
4000	Total Liabilities , Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,680,300</u>	<u>\$ 860,662</u>	<u>\$ 684,214</u>	<u>\$ 10,225,176</u>

See Notes to Financial Statements.

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EDNA
INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - EXHIBIT C-1R
August 31, 2018

Total fund balances for governmental funds	\$	8,806,850
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Amounts reported for governmental activities in the Statement of Net Position
are different because:

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

Capital assets - nondepreciable	615,754	
Capital assets - depreciable	<u>41,183,813</u>	
		41,799,567

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

Accrued interest	(21,601)	
Deferred outflows - pensions	1,076,761	
Deferred outflows - OPEB	81,917	
Deferred tax revenue	452,310	
Amortization of loss on bond refunding	812,519	
Deferred inflows - pensions	(496,980)	
Deferred inflows - OPEB	(2,148,648)	
Noncurrent liabilities due in one year	(1,000,353)	
Net pension liability	(2,523,186)	
Net OPEB liability	(5,136,619)	
Noncurrent liabilities due in more than one year	<u>(17,113,153)</u>	
		<u>(26,017,033)</u>

Net Position of Governmental Activities	\$	<u>24,589,384</u>
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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, 2018

Data Control Codes		10	50	Other	98
		General	Debt Service	Governmental Funds	Total Governmental Funds
Revenues					
5700	Local, intermediate, and out-of-state	\$ 6,120,505	\$ 1,412,121	\$ 1,105,300	\$ 8,637,926
5800	State program revenues	8,472,689	39,853	88,132	8,600,674
5900	Federal program revenues	36,257	-	2,365,631	2,401,888
5020	Total Revenues	<u>14,629,451</u>	<u>1,451,974</u>	<u>3,559,063</u>	<u>19,640,488</u>
Expenditures					
0011	Instruction	7,294,667	-	1,525,017	8,819,684
0012	Instructional resources/media services	127,634	-	-	127,634
0013	Curriculum and staff development	85,403	-	9,890	95,293
0021	Instructional leadership	165,457	-	172,379	337,836
0023	School leadership	1,012,712	-	-	1,012,712
0031	Guidance, counseling, and				
0031	evaluation services	239,904	-	332,695	572,599
0033	Health services	132,497	-	66,219	198,716
0034	Student (pupil) transportation	453,972	-	-	453,972
0035	Food service	2,805	-	908,584	911,389
0036	Extracurricular activities	941,439	-	116,937	1,058,376
0041	General administration	631,244	-	40,616	671,860
0051	Plant maintenance and operations	1,948,706	-	-	1,948,706
0052	Security and monitoring services	51,738	-	-	51,738
0053	Data processing services	62,791	-	-	62,791
0061	Community services	100	-	1,000	1,100
Debt service:					
0071	Principal	63,258	955,000	-	1,018,258
0072	Interest	6,897	492,713	-	499,610
0073	Debt issuance costs and fees	6,650	149,215	-	155,865
Capital outlay:					
0081	Facilities acquisition and construction	993,514	-	-	993,514
Intergovernmental:					
0093	Shared services arrangements	275,030	-	337,680	612,710
0099	Other intergovernmental charges	205,751	-	-	205,751
6030	Total Expenditures	<u>14,702,169</u>	<u>1,596,928</u>	<u>3,511,017</u>	<u>19,810,114</u>
1100	Excess (Deficiency) of Revenues				
1100	Over (Under) Expenditures	<u>(72,718)</u>	<u>(144,954)</u>	<u>48,046</u>	<u>(169,626)</u>
Other Financing Sources (Uses)					
7911	Issuance of bonds	-	5,485,000	-	5,485,000
7914	Noncurrent loan proceeds	448,965	-	-	448,965
7916	Premium/discount on issuance of bonds	-	730,862	-	730,862
8940	Payment to bond escrow agent	-	(6,069,497)	-	(6,069,497)
7080	Total Other Financing Sources	<u>448,965</u>	<u>146,365</u>	<u>-</u>	<u>595,330</u>
1200	Net Change in Fund Balances	376,247	1,411	48,046	425,704
0100	Beginning fund balances	7,279,472	770,736	330,938	8,381,146
3000	Ending Fund Balances	<u>\$ 7,655,719</u>	<u>\$ 772,147</u>	<u>\$ 378,984</u>	<u>\$ 8,806,850</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, 2018

Net changes in fund balances - total governmental funds \$ 425,704

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	(1,157,861)
Net effect of disposals	(2,190)
Capital outlay	1,209,149

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	51,358
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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.

Issuance of refunding bonds	(5,485,000)
Premium on refunding bonds	(730,862)
Issuance of loan	(448,965)
Payment to escrow agent	6,069,497
Loss on refunding bonds	(493,900)
Principal repayments	1,018,258
Accrued interest	1,460
Amortization of loss on refunding	441,397
Amortization of premiums	91,989

Pension and OPEB 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	598,191
Change in net OPEB liability	3,870,412
Net change in deferred outflows and inflows - pensions	(729,702)
Net change in deferred outflows and inflows - OPEB	(2,066,731)
Net on-behalf contributions adjustment - revenues	(2,517,035)
Net on-behalf contributions adjustment - expenses	2,517,035

Change in Net Position of Governmental Activities	\$ 2,662,204
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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, 2018

Data Control Codes		Total Agency Funds
	<u>Assets</u>	
1110	Cash and cash equivalents	\$ 128,451
1000		
	Total Assets	\$ 128,451
	<u>Liabilities</u>	
2190	Due to student groups	\$ 128,451
2000		
	Total Liabilities	\$ 128,451

See Notes to Financial Statements.

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended August 31, 2018

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. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation – Fund Financial Statements

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

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

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 always considered a major fund for reporting purposes.

Debt Service Fund

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

Special Revenue Funds

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

Fiduciary Funds

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

The District has the following type of fiduciary funds:

Agency Funds

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

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

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

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

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

E. Measurement Focus and Basis of Accounting

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

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Cash and Cash Equivalents

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

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposits, are reported at cost.

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

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

3. Inventories and Prepaid Items

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

4. Restricted Assets

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

5. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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*

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

resources, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has six items that qualify for reporting in this category on the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. Deferred outflows of resources are recognized for the difference between the projected and actual investment earnings on the OPEB 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 and OPEB plans. These amounts are deferred and amortized over the average of the expected service lives of plan members. A deferred charge has been recognized for employer pension and OPEB 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 and OPEB 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 four items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred inflows of resources are recognized for the differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension and OPEB plans. These amounts are deferred and amortized over the average of the expected service lives of plan members. 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 the difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

7. Long-Term Obligations

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

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

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

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

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

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

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.

14. Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities, and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

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.

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

2. Negative Operating Grants and Contributions - Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. Teacher Retirement System of Texas (TRS) and Texas Public School Retired Employees Group Insurance Program ("TRS-Care") are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the statement of activities in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

During the year under audit, the NECE expense was negative due to changes in benefits within TRS-Care. The accrual for the proportionate share of that expense was a negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the statement of activities.

Following are effects on the statement of activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions (Excluding On- Behalf Accruals)	Negative On-Behalf Accruals	Operating Grants and Contributions As Reported
11 - Instruction	\$ 859,026	\$ (1,271,263)	\$ (412,237)
12 - Instruction resources and media services	371	(9,774)	(9,403)
13 - Curriculum and staff development	10,047	(2,444)	7,603
21 - Instructional leadership	173,067	(65,162)	107,905
23 - School leadership	2,219	(226,233)	(224,014)
31 - Guidance, counseling, and evaluation services	333,556	(161,479)	172,077
33 - Health services	66,563	(20,770)	45,793
34 - Student (Pupil) transportation	961	(27,898)	(26,937)
35 - Food service	663,651	-	663,651
36 - Extracurricular activities	118,095	(83,692)	34,403
41 - General administration	41,720	(101,611)	(59,891)
51 - Facilities maintenance and operation	1,393	(63,939)	(62,546)
53 - Data processing services	75	(1,629)	(1,554)
61 - Community services	1,928	(928)	1,000
93 - Shared services arrangements	337,680	-	337,680
	<u>\$ 2,610,352</u>	<u>\$ (2,036,822)</u>	<u>\$ 573,530</u>

3. Property Taxes

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

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NOTES TO FINANCIAL STATEMENTS, (Continued)

For the Year Ended August 31, 2018

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. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

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

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of August 31, 2018, the District had the following investments in external investment pools:

<u>Investments</u>	<u>Market Value</u>	<u>Weighted Average Maturity (Year)</u>
Lone Star Investment Pool	\$ 8,062,248	0.00
Total	\$ 8,062,248	
Portfolio weighted average maturity		0.00

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires funds on deposit at the depository bank to be collateralized. As of August 31, 2018, checking and time deposits were entirely insured or collateralized with securities as provided by State laws and regulations and FDIC insurance.

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

Lone Star

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

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NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

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

B. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 201,179	\$ -	\$ -	\$ 201,179
Construction in progress	-	414,575	-	414,575
Total capital assets not being depreciated	201,179	414,575	-	615,754
Other capital assets:				
Buildings and improvements	49,995,010	578,939	-	50,573,949
Equipment and vehicles	3,359,992	215,635	(165,655)	3,409,972
Total other capital assets	53,355,002	794,574	(165,655)	53,983,921
Less accumulated depreciation for:				
Buildings and improvements	(9,922,072)	(908,521)	-	(10,830,593)
Equipment and vehicles	(1,883,640)	(249,340)	163,465	(1,969,515)
Total accumulated depreciation	(11,805,712)	(1,157,861)	163,465	(12,800,108)
Other capital assets, net	41,549,290	(363,287)	(2,190)	41,183,813
Governmental Activities				
Capital Assets, Net	<u>\$ 41,750,469</u>	<u>\$ 51,288</u>	<u>\$ (2,190)</u>	<u>41,799,567</u>
			Less associated debt	(18,113,506)
			Plus deferred charge on refunding	812,519
			Net Investment in Capital Assets	<u>\$ 24,498,580</u>

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NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

Depreciation was charged to governmental functions as follows:

	Governmental Activities
11 Instruction	\$ 628,515
12 Instructional resources/media services	9,099
13 Curriculum and staff development	6,791
21 Instructional leadership	24,078
23 School leadership	72,181
31 Guidance, counseling, and evaluation services	40,804
33 Health services	14,162
34 Student (pupil) transportation	32,348
35 Food service	60,283
36 Extracurricular activities	75,262
41 General administration	47,822
51 Plant maintenance and operations	138,278
52 Security and monitoring services	3,686
53 Data processing services	4,474
61 Community services	78
Total Depreciation Expense	\$ 1,157,861

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NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

C. Long-Term Debt

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

Governmental Activities:	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year
Bonds payable:					
Series 2011 schoolhouse bonds	\$ 5,780,000	\$ -	\$ (5,555,000)	\$ 225,000	\$ 75,000
Series 2011 QSC bonds	3,510,000	-	(390,000)	3,120,000	390,000
Series 2014 tax refunding bonds	6,570,000	-	(385,000)	6,185,000	390,000
Series 2015 refunding bonds	1,495,000	-	(85,000)	1,410,000	85,000
Series 2017 refunding bonds	-	5,485,000	(25,000)	5,460,000	-
Loan payable:					
2017 LED lighting upgrade	-	448,965	(63,258)	385,707	60,353
	<u>17,355,000</u>	<u>5,933,965</u>	<u>(6,503,258)</u>	<u>16,785,707</u>	<u>* 1,000,353</u>
Other liabilities:					
Unamortized bond premium	779,523	730,862	(182,586)	1,327,799	*
Net pension liability	3,121,377	-	(598,191)	2,523,186	-
Net OPEB liability	<u>9,007,031</u>	<u>-</u>	<u>(3,870,412)</u>	<u>5,136,619</u>	<u>-</u>
Total Governmental Activities	<u>\$ 30,262,931</u>	<u>\$ 6,664,827</u>	<u>\$ (11,154,447)</u>	<u>\$ 25,773,311</u>	<u>\$ 1,000,353</u>
Long-term liabilities due in more than one year				<u>\$ 24,772,958</u>	
* Debt associated with capital assets				<u>\$ 18,113,506</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.

Advanced Refunding

In October 2017, the District issued \$5,485,000 of Unlimited Tax Refunding Bonds, Series 2017 to provide resources for all future debt service payments of \$5,485,000 of Unlimited Tax School Building Bonds, Series 2011. Interest rates on the bonds range from 3.00% to 4.50% and the bonds will mature on February 15, 2036. Included within the Series 2017 bond issuance were \$25,000 of Premium Capital Appreciation Bonds that matured on February 15, 2018 at a maturity amount of \$75,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$493,900. This amount is being amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 19 years by \$622,047 and resulted in an economic gain of \$493,930. At August 31, 2018, \$5,485,000 of the defeased series 2011 school building bonds remaining outstanding.

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NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

LED Lighting Upgrade Loan

On December 15, 2017, the District entered a finance contract with Government Capital Corporation for a loan of \$448,965 with a 2.54% annual interest rate for an LED lighting upgrade in the administration building, bus barn, and the schools. The loan will be paid back in 7 annual payments, each payment is \$70,155. The loan will mature on August 1, 2024.

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

Description	Interest Rates	Balance
General Obligation		
Unlimited Tax School Building Bonds		
Series 2011	2.00 - 5.00%	\$ 225,000
Series 2011 QSC bonds	N/A	3,120,000
Unlimited Tax Refunding Bonds		
Series 2014	2.00 - 3.75%	6,185,000
Series 2015	3.00 - 4.00%	1,410,000
Series 2017	3.00 - 4.50%	5,460,000
Loan - LED lighting upgrade	2.54%	385,707
Total General Obligation		\$ 16,785,707

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

Year Ended August 31	Principal	Interest	Total Requirements
2019	\$ 940,000	\$ 471,988	\$ 1,411,988
2020	955,000	457,213	1,412,213
2021	975,000	439,963	1,414,963
2022	1,000,000	422,038	1,422,038
2023	1,020,000	402,938	1,422,938
2024-2028	5,300,000	1,655,484	6,955,484
2029-2033	4,495,000	713,300	5,208,300
2034-2036	1,715,000	104,700	1,819,700
Totals	\$ 16,400,000	\$ 4,667,624	\$ 21,067,624

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

Year Ended August 31	Principal	Interest	Total Requirements
2019	\$ 60,353	\$ 9,802	\$ 70,155
2020	61,886	8,269	70,155
2021	63,458	6,697	70,155
2022	65,070	5,085	70,155
2023	66,722	3,433	70,155
2024	68,218	1,937	70,155
Totals	\$ 385,707	\$ 35,223	\$ 420,930

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NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

D. Interfund Transactions

The interfund balances at August 31, 2018 were as follows:

	<u>Due To Fund</u>	<u>Due From Fund</u>
Fund 199 - General fund	\$ -	\$ 112,577
Fund 211 - Title I	11,141	-
Fund 313 - IDEA B	101,436	-
Total	<u>\$ 112,577</u>	<u>\$ 112,577</u>

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

E. Prior Period Adjustment

Beginning net position for governmental activities was restated to recognize OPEB liability for the implementation of GASB No. 75.

	<u>Governmental Activities</u>
Beginning net position - as reported	\$ 30,934,211
Change in the net OPEB liability	(9,068,442)
Deferred outflows - contributions after measurement	61,411
Beginning net position - as restated	<u>\$ 21,927,180</u>

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.

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NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

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

C. Defined Benefit Pension Plan

Teacher Retirement System

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (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.

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NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

Contributions

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

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

Contribution Rates

	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2017 Employer Contributions	\$258,628	
2017 Member Contributions	\$255,877	
2017 NECE On-behalf Contributions	\$487,949	

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

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NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

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

Actuarial Assumptions

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

Valuation date	August 31, 2017
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	8.0%
Long-term expected investment rate of return	8.0%
Inflation	2.5%
Salary increases including inflation	3.5% to 9.5%
Payroll growth rate	2.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

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

Discount Rate

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

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NOTES TO FINANCIAL STATEMENTS, (Continued)

For the Year Ended August 31, 2018

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

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

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

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

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 7.0%	Discount Rate 8.0%	1% Increase in Discount Rate 9.0%
District's proportionate share of the net pension liability	\$ 4,253,592	\$ 2,523,186	\$ 1,082,341

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NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

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

At August 31, 2018, the District reported a liability of \$2,523,186 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 collective net pension liability	\$	2,523,186
State's proportionate share that is associated with the District		<u>4,770,460</u>
Total	\$	<u>7,293,646</u>

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

At August 31, 2017, the District's proportion of the collective net pension liability was 0.0078912%, which was a decrease of 0.003689% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$363,872 and revenue of \$363,872 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 36,915	\$ (136,072)
Changes in actuarial assumptions	114,936	(65,798)
Difference between projected and actual investment earnings	-	(183,884)
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	655,229	(111,226)
Contributions paid to TRS subsequent to the measurement date	269,681	-
Total	<u>\$ 1,076,761</u>	<u>\$ (496,980)</u>

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For the Year Ended August 31, 2018

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>August 31</u>	<u>Pension</u> <u>Expense</u>
2019	\$ 65,852
2020	226,913
2021	53,476
2022	(963)
2023	(18,341)
Thereafter	(16,837)
Total	<u><u>\$ 310,100</u></u>

D. Defined Other Post-Employment Benefit Plans

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"). It is a multiple-employer, cost-sharing defined benefit other post-employment benefit (OPEB) plan that has a special funding situation. TRS-Care is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees (the "Board"). It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and Required Supplementary Information. That report may be obtained on the Internet at 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.

Components of the net OPEB liability of TRS-Care as of August 31, 2017 are as follows:

Total OPEB liability	\$ 43,885,784,621
Less: plan fiduciary net position	<u>399,535,986</u>
Net OPEB Liability	<u><u>\$ 43,486,248,635</u></u>
Net position as a percentage of total OPEB liability	0.92%

Benefits Provided

TRS-Care provides a basic health insurance coverage, TRS-Care 1 (the "Basic Plan") at no cost to all retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits, TRS-Care 2 and TRS-Care 3 (the "Optional Health Insurance"). Eligible retirees and dependents enrolled in Medicare may elect to

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least ten years of service credit in the TRS pension system. The Board is granted the authority to establish basic and optional group insurance coverage for participants, as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes, including automatic cost-of-living adjustments.

The premium rates for the Optional Health Insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A and B coverage, with 20 to 29 years of service, for the Basic Plan and the two Optional Health Insurance plans:

TRS-Care Plan Premium Rates Effective September 1, 2016 - December 31, 2017				
	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan	
Retiree*	\$ -	\$ 70	\$ 100	
Retiree and spouse	\$ 20	\$ 175	\$ 255	
Retiree and children	\$ 41	\$ 132	\$ 182	
Retiree and family	\$ 61	\$ 237	\$ 337	
Surviving children only	\$ 28	\$ 62	\$ 82	

**or surviving spouse*

Contributions

Contribution rates for TRS-Care are established in state statute by the Texas Legislature and there is no continuing obligation to provide benefits beyond each fiscal year. TRS-Care is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the State, active employees, and school districts based upon public school district payroll. The TRS Board does not have the authority to set or amend contribution rates.

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

Texas Insurance Code, section 1575.202 establishes the State's contribution rate, which is 1.00% of the employee's salary. Section 1575.203 establishes the active employee's rate, which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to TRS-Care by type of contributor:

	Contribution Rates	
	Fiscal Year	
	2017	2018
Active employee	0.65%	0.65%
Non-employer contributing entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private funding remitted by employers	1.00%	1.25%
Current fiscal year District contributions	\$	61,411
Current fiscal year member contributions	\$	25,188
2017 measurement year NECE contributions	\$	85,753

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

TRS-Care received supplemental appropriations from the State of Texas as the non-employer contributing entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

Actuarial Assumptions

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

- The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the TRS pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.
- The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

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INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, (Continued)

For the Year Ended August 31, 2018

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

- | | |
|----------------------------------|----------------------------|
| 1. Rates of Mortality | 5. General Inflation |
| 2. Rates of Retirement | 6. Wage Inflation |
| 3. Rates of Termination | 7. Expected Payroll Growth |
| 4. Rates of Disability Incidence | |

Additional actuarial methods and assumptions are as follows:

Valuation date	August 31, 2017
Actuarial cost method	Individual entry age normal
Inflation	2.50%
Discount rate*	3.42% *
Aging factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll growth rate	2.50%
Projected salary increases**	3.50% to 9.50% **
Healthcare trend rates***	4.50% to 12.00% ***
Election rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65.
Ad hoc post-employment benefit changes	None

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

** Includes inflation at 2.50%

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

Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because TRS-Care is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, TRS-Care's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

Sensitivity of the Net OPEB Liability

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability:

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	\$ 6,062,486	\$ 5,136,619	\$ 4,392,431

Healthcare Cost Trend Rates Sensitivity Analysis – The following presents the net OPEB liability of TRS-Care using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than or 1% higher than the assumed healthcare cost trend rate:

	1% Decrease in Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
District's proportionate share of net OPEB liability	\$ 4,276,749	\$ 5,136,619	\$ 6,264,878

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

At August 31, 2018, the District reported a liability of \$5,136,619 for its proportionate share of TRS-Care's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 5,136,619
State's proportionate share that is associated with the District	7,172,692
Total	\$ 12,309,311

The net OPEB liability was measured as of August 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to TRS-Care relative to the contributions of all employers to TRS-Care for the period September 1, 2016 through August 31, 2017.

At the August 31, 2017 measurement date, the District's proportion of the collective net OPEB liability was 0.0001181%, which was the same proportion measured as of August 31, 2016.

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

Changes Since the Prior Actuarial Valuation

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

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

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

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

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

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

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

For the year ended August 31, 2018, the District recognized OPEB expense of (\$2,400,174) and revenue of (\$2,400,174) for support provided by the State.

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ (107,231)
Changes in actuarial assumptions	-	(2,041,417)
Differences between projected and actual investment earnings	780	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	23	-
Contributions paid to TRS subsequent to the measurement date	81,114	-
Total	\$ 81,917	\$ (2,148,648)

The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended August 31,	Expense Amount
2019	\$ (283,411)
2020	(283,411)
2021	(283,411)
2022	(283,411)
2023	(283,606)
Thereafter	(730,595)
	\$ (2,147,845)

E. Employee Health Care Coverage

During the year ended August 31, 2018, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$351 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2018 and terms of coverage and premiums costs are included in the contractual provisions.

F. Workers' Compensation Insurance

During the year ended August 31, 2018, employees of the District were covered by a Workers' Compensation Plan (the "Plan"). The Plan is a workers' compensation modified self-insurance member owned and governed program pursuant to Texas Labor Code Chapter 504 and Texas Government Code Chapter 791.

The plan is administered by a third-party, Edwards Risk Management, acting on behalf of the member program. Members make a fixed benefit cost contribution plus 10% of the maximum loss fund that may be used for payment of benefits and the administration of claims. As the initial contribution is

EDNA

INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, (Continued)

For the Year Ended August 31, 2018

depleted, additional contributions of 10% of the maximum loss fund are made as needed not to exceed the member maximum loss fund. The District loss fund maximum for fiscal year 2018 was \$36,703. Claims in excess of the self-insurance retention from any one employee or occurrence shall be paid by excess insurance up to the statutory limits. There were no signification reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

G. Unemployment Compensation

During the year ended August 31, 2018, 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.

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	\$ 435,490
Industrial ISD	352,462
Ganado ISD	224,580
Total	\$ 1,012,532

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>IEP Grant</u>
Edna ISD	\$ 174,382	\$ 10,634	\$ 1,965
Industrial ISD	111,179	6,780	1,965
Ganado ISD	75,838	4,624	1,965
Total	\$ 361,399	\$ 22,038	\$ 5,895

I. Tax Abatements

The District has entered into a property tax abatement agreement (the "Agreement") with DCP Midstream Eagle Plant (the "Company") for a limitation on appraised value of property for

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2018

school district maintenance and operation taxes pursuant to Chapter 313 of the Texas Tax Code, the Texas Economic Development Act (the “Act”) as of February 20, 2012. The final termination date of the agreement is December 31, 2025.

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

The District has granted the Company a tax limitation of \$10,000,000 for the period beginning January 1, 2015 through December 31, 2022. The qualified investment consists of an estimated \$100 million to construct a new gas processing facility in Jackson County.

The Company is entitled to the tax limitation amount for tax years 2015 – 2022. The limitation on the local ad valorem property values for M&O purposes shall commence with the property valuations made as of January 1, 2015, the appraisal date for the third full tax year following the commencement date. For the first two full tax years that begin after the commencement date (i.e., the 2013 and 2014 tax years), which together, along with the period from the date of approval until January 1, 2013 are collectively referred to herein as the qualifying time period, as that term is defined in Texas Tax Code 313.026, the Company shall not be entitled to a tax limitation. Unless sooner terminated as provided herein, the limitation on the local ad valorem property values shall terminate on December 31, 2022.

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

- Complete a minimum qualified investment of \$10,000,000 during the qualifying time period or the agreement shall become null and void on December 31, 2013.
- Create and maintain, subject to the provisions of Section 313.026 (a)(7) of the Texas Tax Code, 10 new qualifying jobs.
- Create and maintain at least 80% of all new jobs it committed to create and maintain.
- Pay the qualifying job holders wages, salaries, and benefits in accordance with Texas Tax Code Section 313.021 (3) at an average wage of \$1,019 weekly (\$53,000 annually).
- Make supplemental payments in accordance with the agreement.
- Create and maintain a viable presence in the District through the final termination date.

The estimated potential tax savings to the Company resulting from the value limitation total \$22,434,233 over a 15 year period. In addition, the Company is eligible for a tax credit on taxes paid on values in excess of the value limitation in each of the first two years. The cumulative tax credits are projected to be approximately \$13,055,788. The District is to be reimbursed by the State for tax credit payments. Over the same 15 year period the District is projecting a net gain from the agreement totaling \$761,037.

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, 2018

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local, intermediate, and out-of-state	\$ 5,385,000	\$ 6,060,915	\$ 6,120,505	\$ 59,590
5800	State program revenues	8,125,492	8,329,616	8,472,689	143,073
5900	Federal program revenues	28,000	36,250	36,257	7
5020	Total Revenues	<u>13,538,492</u>	<u>14,426,781</u>	<u>14,629,451</u>	<u>202,670</u>
	Expenditures				
0011	Instruction	7,377,287	7,328,972	7,294,667	34,305
0012	Instructional resources/media services	136,566	141,433	127,634	13,799
0013	Curriculum and staff development	120,805	116,730	85,403	31,327
0021	Instructional leadership	162,580	173,880	165,457	8,423
0023	School leadership	974,543	1,035,443	1,012,712	22,731
0031	Guidance, counseling, and				
0031	evaluation services	253,647	258,647	239,904	18,743
0033	Health services	129,480	137,980	132,497	5,483
0034	Student (pupil) transportation	557,195	557,195	453,972	103,223
0035	Food service	6,900	4,900	2,805	2,095
0036	Extracurricular activities	871,682	971,407	941,439	29,968
0041	General administration	660,580	660,580	631,244	29,336
0051	Plant maintenance and operations	1,643,289	1,990,071	1,948,706	41,365
0052	Security and monitoring services	52,163	52,163	51,738	425
0053	Data processing services	78,946	78,946	62,791	16,155
0061	Community services	2,800	2,800	100	2,700
	Debt service:				
0071	Principal	-	76,831	63,258	13,573
	Capital outlay:				
0081	Facilities acquisition and construction	-	1,060,589	993,514	67,075
	Intergovernmental:				
0093	Shared services arrangements	280,000	280,000	275,030	4,970
0099	Other intergovernmental charges	230,029	210,029	205,751	4,278
6030	Total Expenditures	<u>13,538,492</u>	<u>15,138,596</u>	<u>14,702,169</u>	<u>436,427</u>
	(Deficiency) of Revenues				
1100	(Under) Expenditures	<u>-</u>	<u>(711,815)</u>	<u>(72,718)</u>	<u>639,097</u>
	Other Financing Sources (Uses)				
7914	Noncurrent loan proceeds	-	448,965	448,965	-
7080	Total Other Financing Sources	<u>-</u>	<u>448,965</u>	<u>448,965</u>	<u>-</u>
1200	Net Change in Fund Balance	<u>-</u>	<u>(262,850)</u>	<u>376,247</u>	<u>639,097</u>
0100	Beginning fund balance	7,279,472	7,279,472	7,279,472	-
3000	Ending Fund Balance	<u>\$ 7,279,472</u>	<u>\$ 7,016,622</u>	<u>\$ 7,655,719</u>	<u>\$ 639,097</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, 2018

	Measurement Year*			
	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0078912%	0.0082601%	0.0088022%	0.0044939%
District's proportionate share of the net pension liability (asset)	\$ 2,523,186	\$ 3,121,377	\$ 3,111,461	\$ 1,200,382
State's proportionate share of the net pension liability (asset) associated with the District	4,770,460	5,727,712	5,376,004	4,481,720
Total	\$ 7,293,646	\$ 8,849,089	\$ 8,487,465	\$ 5,682,102
District's covered employee payroll**	\$ 9,140,879	\$ 9,035,394	\$ 8,697,318	\$ 7,687,454
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	26.65%	34.55%	35.77%	15.61%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

*Only four 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 affect measurement of the total pension liability during the measurement period.

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

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EDNA
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-3
For the Year Ended August 31, 2018

	Fiscal Year*				
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 269,681	\$ 258,133	\$ 263,859	\$ 143,176	\$ 115,373
Contributions in relation to the contractually required contribution	<u>269,681</u>	<u>258,133</u>	<u>263,859</u>	<u>143,176</u>	<u>115,373</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 9,468,960	\$ 9,140,879	\$ 9,035,394	\$ 8,697,318	\$ 7,687,454
Contributions as a percentage of covered employee payroll	2.85%	2.82%	2.92%	1.65%	1.50%

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

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EDNA
INDEPENDENT SCHOOL DISTRICT
*SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET OPEB LIABILITY*
TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES
GROUP INSURANCE PROGRAM ("TRS-CARE") - EXHIBIT G-4
 For the Year Ended August 31, 2018

	Measurement Year* <u>2017</u>
District's proportion of the collective net OPEB liability (asset)	0.0118121%
District's proportionate share of the collective net OPEB liability (asset)	\$ 5,136,619
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>7,172,692</u>
Total	<u>\$ 12,309,311</u>
District's covered employee payroll**	\$ 9,140,879
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	56.19%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%

* Only one year's worth of information is currently available.

Notes to Required Supplementary Information:

Changes in Assumptions: There were no changes in assumptions that affected measurement of the total OPEB liability during the measurement period.

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

EDNA
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES
GROUP INSURANCE PROGRAM ("TRS-CARE") - EXHIBIT G-5
For the Year Ended August 31, 2018

	Fiscal Year*	
	2018	2017
Statutorily required contributions	\$ 81,114	\$ 61,411
Contributions in relations to the statutorily required contributions	81,114	61,411
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,468,960	9,140,879
Contributions as a percentage of covered- employee payroll	0.86%	0.67%

* Only two-year 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, 2018

Data Control Codes		211	224	240	255
		ESEA Title I Improving Basic Programs	IDEA-B Formula	National School Breakfast/ Lunch	ESEA Title II Training & Recruiting
	<u>Assets</u>				
1110	Cash and cash equivalents	\$ -	\$ -	\$ 69,776	\$ -
1240	Due from other governments	38,085	13,012	39,903	5,911
1000	Total Assets	<u>\$ 38,085</u>	<u>\$ 13,012</u>	<u>\$ 109,679</u>	<u>\$ 5,911</u>
	<u>Liabilities</u>				
2110	Accounts payable	\$ -	\$ -	\$ 65,087	\$ -
2160	Accrued wages payable	25,120	11,825	-	5,386
2170	Due to other funds	11,141	-	-	-
2200	Accrued expenditures	1,824	1,187	-	525
2000	Total Liabilities	<u>38,085</u>	<u>13,012</u>	<u>65,087</u>	<u>5,911</u>
	<u>Fund Balances</u>				
	Restricted, reported in nonmajor:				
3450	Federal/state grant funds	-	-	44,592	-
3490	Other restrictions	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>44,592</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 38,085</u>	<u>\$ 13,012</u>	<u>\$ 109,679</u>	<u>\$ 5,911</u>

263 English Language Acquisition & Enhancement	270 ESEA Title V Part B Subart 2	289 Summer School LEP	313 IDEA-B Formula	314 IDEA-B Preschool	315 IDEA-B IEP
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	118,343	2,518	2,309
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,343</u>	<u>\$ 2,518</u>	<u>\$ 2,309</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	15,368	2,288	2,264
-	-	-	101,436	-	-
-	-	-	1,539	230	45
<u>-</u>	<u>-</u>	<u>-</u>	<u>118,343</u>	<u>2,518</u>	<u>2,309</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,343</u>	<u>\$ 2,518</u>	<u>\$ 2,309</u>

EDNA
INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 2 of 2)
August 31, 2018

		385	392	397	410
Data Control Codes		Supplementary Visually Impaired	Non Educational Community Based Support	Advanced Placement Incentives	State Textbook
<u>Assets</u>					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 222
1240	Due from other governments	-	-	-	-
1000	Total Assets	\$ -	\$ -	\$ -	\$ 222
<u>Liabilities</u>					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	-	-	-
2200	Accrued expenditures	-	-	-	-
2000	Total Liabilities	-	-	-	-
<u>Fund Balances</u>					
Restricted, reported in nonmajor:					
3450	Federal/state grant fund	-	-	-	222
3490	Other restrictions	-	-	-	-
3000	Total Fund Balances	-	-	-	222
4000	Total Liabilities and Fund Balances	\$ -	\$ -	\$ -	\$ 222

429	437	461	496	498	Total Nonmajor Governmental Funds
State Pre-K	Student Success Initiative	Campus Activity	LNRA Grant	Formosa Grant	
\$ -	\$ 365,989	\$ 28,146	\$ -	\$ -	\$ 464,133
-	-	-	-	-	220,081
<u>\$ -</u>	<u>\$ 365,989</u>	<u>\$ 28,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 684,214</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,087
-	58,790	-	-	-	121,041
-	-	-	-	-	112,577
-	1,175	-	-	-	6,525
<u>-</u>	<u>59,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>305,230</u>
-	-	-	-	-	44,814
-	306,024	28,146	-	-	334,170
-	306,024	28,146	-	-	378,984
<u>\$ -</u>	<u>\$ 365,989</u>	<u>\$ 28,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 684,214</u>

EDNA
INDEPENDENT SCHOOL DISTRICT
*COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES*
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 1 of 2)
For the Year Ended August 31, 2018

Data Control Codes		211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	240 National School Breakfast/ Lunch	255 ESEA Title II Training & Recruiting
	<u>Revenues</u>				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ 244,933	\$ -
5800	State program revenues	-	-	4,447	-
5900	Federal program revenues	310,128	149,808	616,136	44,690
5020	Total Revenues	<u>310,128</u>	<u>149,808</u>	<u>865,516</u>	<u>44,690</u>
	<u>Expenditures</u>				
0011	Instruction	310,128	149,808	-	44,690
0013	Curriculum and staff development	-	-	-	-
0021	Instructional leadership	-	-	-	-
0031	evaluation services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	908,584	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0061	Community services	-	-	-	-
0093	Shared services arrangements	-	-	-	-
6030	Total Expenditures	<u>310,128</u>	<u>149,808</u>	<u>908,584</u>	<u>44,690</u>
1200	Net Change in Fund Balances	-	-	(43,068)	-
0100	Beginning fund balances	-	-	87,660	-
3000	Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,592</u>	<u>\$ -</u>

263 English Language Acquisition & Enhancement	270 ESEA Title V Part B Subart 2	289 Summer School LEP	313 IDEA-B Formula	314 IDEA-B Preschool	315 IDEA-B IEP
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
18,991	28,056	15,463	676,077	22,038	5,895
18,991	28,056	15,463	676,077	22,038	5,895
18,841	28,056	7,463	31,678	22,038	5,895
150	-	8,000	30	-	-
-	-	-	49,529	-	-
-	-	-	257,052	-	-
-	-	-	108	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	337,680	-	-
18,991	28,056	15,463	676,077	22,038	5,895
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2018

		385	392	397	410
Data		Supplementary	Non Educational	Advanced	
Control		Visually	Community	Placement	State
Codes		Impaired	Based Support	Incentives	Textbook
<u>Revenues</u>					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	1,710	79,306
5900	Federal program revenues	3,342	1,000	-	-
5020	Total Revenues	<u>3,342</u>	<u>1,000</u>	<u>1,710</u>	<u>79,306</u>
<u>Expenditures</u>					
0011	Instruction	3,342	-	-	98,463
0013	Curriculum and staff development	-	-	1,710	-
0021	Instructional leadership	-	-	-	-
0031	evaluation services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0061	Community services	-	1,000	-	-
0093	Shared services arrangements	-	-	-	-
6030	Total Expenditures	<u>3,342</u>	<u>1,000</u>	<u>1,710</u>	<u>98,463</u>
1200	Net Change in Fund Balances	-	-	-	(19,157)
0100	Beginning fund balances	-	-	-	19,379
3000	Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222</u>

429	437	461	496	498	Total Nonmajor Governmental Funds
State Pre-K	Student Success Initiative	Campus Activity	LNRA Grant	Formosa Grant	
\$ -	\$ 639,457	\$ 140,910	\$ 25,000	\$ 55,000	\$ 1,105,300
2,669	-	-	-	-	88,132
-	474,007	-	-	-	2,365,631
2,669	1,113,464	140,910	25,000	55,000	3,559,063
2,669	707,928	14,634	25,000	54,384	1,525,017
-	-	-	-	-	9,890
-	122,850	-	-	-	172,379
-	75,643	-	-	-	332,695
-	66,111	-	-	-	66,219
-	-	-	-	-	908,584
-	-	116,937	-	-	116,937
-	40,000	-	-	616	40,616
-	-	-	-	-	1,000
-	-	-	-	-	337,680
2,669	1,012,532	131,571	25,000	55,000	3,511,017
-	100,932	9,339	-	-	48,046
-	205,092	18,807	-	-	330,938
\$ -	\$ 306,024	\$ 28,146	\$ -	\$ -	\$ 378,984

EDNA
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1
For the Year Ended August 31, 2018

<u>Last Ten Years</u>	1	2	3
	Tax Rates		Net Assessed/ Appraised Value For School Tax Purposes
	<u>Maintenance</u>	<u>Debt Service</u>	
2009 and prior	Various	Various	Various
2010	\$ 1.0400	\$ 0.2300	\$ 426,885,364
2011	\$ 1.0400	\$ 0.1769	\$ 403,351,713
2012	\$ 1.0400	\$ 0.1769	\$ 386,197,141
2013	\$ 1.0400	\$ 0.3382	\$ 392,285,907
2014	\$ 1.0400	\$ 0.3706	\$ 498,057,498
2015	\$ 1.0400	\$ 0.2696	\$ 596,078,305
2016	\$ 1.0400	\$ 0.2677	\$ 567,882,667
2017	\$ 1.0400	\$ 0.2567	\$ 565,834,667
2018	\$ 1.0400	\$ 0.2400	\$ 624,524,056
Totals			

10	20	31	32	40	50
Beginning Balance 9/1/17	Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 8/31/18
\$ 135,640	\$ -	\$ 1,293	\$ 134	\$ 8,657	\$ 142,871
31,713	-	596	101	(87)	30,929
33,425	-	1,075	183	(104)	32,063
38,061	-	615	200	(103)	37,143
44,461	-	2,682	956	(126)	40,697
41,775	-	2,750	713	(100)	38,212
53,374	-	2,735	704	(76)	49,859
127,372	-	9,142	2,257	(1,020)	114,953
213,163	-	51,766	12,777	(5,789)	142,831
-	7,794,628	5,093,030	1,365,307	(1,141,642)	194,649
<u>\$ 718,984</u>	<u>\$ 7,794,628</u>	<u>\$ 5,165,684</u>	<u>\$ 1,383,332</u>	<u>\$ (1,140,390)</u>	<u>\$ 824,207</u>

EDNA
INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NATIONAL BREAKFAST AND LUNCH PROGRAM - EXHIBIT J-2
For the Year Ended August 31, 2018

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	\$ 220,150	\$ 302,150	\$ 244,933	\$ (57,217)
5800	State program revenues	4,339	4,339	4,447	108
5900	Federal program revenues	588,711	611,967	616,136	4,169
5020	Total Revenues	<u>813,200</u>	<u>918,456</u>	<u>865,516</u>	<u>(52,940)</u>
	<u>Expenditures</u>				
0035	Food service	801,225	925,981	908,584	17,397
6030	Total Expenditures	<u>801,225</u>	<u>925,981</u>	<u>908,584</u>	<u>17,397</u>
	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>11,975</u>	<u>(7,525)</u>	<u>(43,068)</u>	<u>(35,543)</u>
1100					
1200	Net Change in Fund Balance	11,975	(7,525)	(43,068)	(35,543)
0100	Beginning fund balance	87,660	87,660	87,660	-
3000	Ending Fund Balance	<u>\$ 99,635</u>	<u>\$ 80,135</u>	<u>\$ 44,592</u>	<u>\$ (35,543)</u>

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EDNA
INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE - EXHIBIT J-3
For the Year Ended August 31, 2018

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	<u>Revenues</u>				
5700	Local, intermediate, and out-of-state	\$ 1,416,078	\$ 1,416,078	\$ 1,412,121	\$ (3,957)
5800	State program revenues	41,150	41,150	39,853	(1,297)
5020	Total Revenues	<u>1,457,228</u>	<u>1,457,228</u>	<u>1,451,974</u>	<u>(5,254)</u>
	<u>Expenditures</u>				
	Debt service:				
0071	Principal	955,000	955,000	955,000	-
0072	Interest	492,713	492,713	492,713	-
0073	Bond issuance costs and fees	9,515	155,880	149,215	6,665
6030	Total Expenditures	<u>1,457,228</u>	<u>1,603,593</u>	<u>1,596,928</u>	<u>6,665</u>
	(Deficiency) of Revenues				
1100	(Under) Expenditures	<u>-</u>	<u>(146,365)</u>	<u>(144,954)</u>	<u>1,411</u>
	<u>Other Financing Sources (Uses)</u>				
7911	Issuance of bonds	-	5,485,000	5,485,000	-
7916	Premium/discount on issuance of bonds	-	730,862	730,862	-
8940	Payment to bond escrow agent	-	(6,069,497)	(6,069,497)	-
7080	Total Other Financing Sources	<u>-</u>	<u>146,365</u>	<u>146,365</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	1,411	1,411
0100	Beginning fund balance	<u>770,736</u>	<u>770,736</u>	<u>770,736</u>	-
3000	Ending Fund Balance	<u>\$ 770,736</u>	<u>\$ 770,736</u>	<u>\$ 772,147</u>	<u>\$ 1,411</u>

***FEDERAL AWARDS AND
OTHER COMPLIANCE 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 13, 2018

To the Board of Trustees of
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 Edna Independent School District (the "District"), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 13, 2018.

Internal Control Over Financial Reporting

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

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 13, 2018

To the Board of Trustees of
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, 2018. 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, 2018.

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, 2018

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, 2018

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>
10.553 & 10.555	Child Nutrition Cluster
84.010	Title I

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

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

None Noted

C. FINDINGS – FEDERAL AWARDS AUDIT

None Noted

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EDNA
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1
For the Year Ended August 31, 2018

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	18610101120901	\$ 263,185
Title I, Part A - Improving Basic Programs	84.010	19610101120901	26,943
Title I, Priority and FOC	84.010	18610123120901	20,000
Title II Part A - Teacher/Principal Training	84.367	18694501120901	38,779
Title II Part A - Teacher/Principal Training	84.367	19694501120901	5,911
Title III, Part A - English Language Acquisition	84.365	18671001120901	18,991
Title IV, Part A, Subpart 1	84.424	18680101120901	8,000
Title V, B, SP 2, Rural & Low-Income	84.358	18696001120901	28,056
Hurricane Recovery	84.938	18510701120901	7,463
Special Education Cluster			
IDEA-B Preschool	84.173	186610011209016000	19,520
IDEA-B Preschool	84.173	196610011209016000	2,518
IDEA-B Formula	84.027	186600011209016000	676,077
IDEA B IEP Analysis	84.027	18660077120901	5,895
Total U.S. Department of Education			1,121,338
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Texas Education Agency:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	71401801	122,146
National School Lunch Program	10.555	71301801	430,561
USDA Commodity	10.565	120901A	63,429
Total U.S. Department of Agriculture			616,136
U.S. DEPARTMENT OF HOMELAND SECURITY			
FEMA Public Assistance Grant - Hurricane Harvey	97.036	74-6002564	36,257
Total U.S. Department Of Homeland Security			36,257
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,773,731
Reconciliation of Federal Revenue:			
SHARS Reimbursement			\$ 474,007
Passed through ESC Region 3 SSA			4,342
Passed through SSA IDEA-B Formula			149,808
Total Federal Revenue per Exhibit C-2			\$ 2,401,888

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2018

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal (SEFA) awards includes the federal grant activity of the District, and is presented on the accrual basis of accounting. The information in the SEFA 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 the SEFA may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: SUBRECIPIENTS

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
IDEA - B	84.027	<u>\$ 314,678</u>

NOTE 3: INDIRECT COST RATE

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

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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, 2018

<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 nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the annual financial report?	Yes
SF5	Did the annual financial report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, State or federal funds?	No
SF6	Was there any disclosure in the annual financial report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the District make timely payments to the Teachers Retirement System, Texas Workforce Commission, Internal Revenue Service, and other government agencies?	Yes
SF8	Did the District not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end?	\$ <u><u>-</u></u>
SF11	Net pension asset (object 1920) at fiscal year end	\$ <u><u>-</u></u>
SF12	Net pension liability (object 2540) at fiscal year end	\$ <u><u>2,523,186</u></u>

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