

ANNUAL FINANCIAL REPORT

of the

**EDNA
INDEPENDENT SCHOOL DISTRICT**

**For the Year Ended
August 31, 2019**

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EDNA

INDEPENDENT SCHOOL DISTRICT

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INTRODUCTORY SECTION

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CERTIFICATE OF BOARD

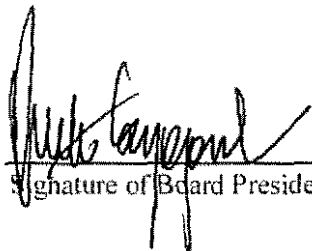
Edna Independent School District
Name of School District

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, 2019, at a meeting of the Board of Trustees of such school district on the 18th day of November, 2019.


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, 2019, 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, 2019, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedules of the District's proportionate share of the net pension and other postemployment benefit 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, the schedule of expenditures of federal awards, and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section 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 dated November 13, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The logo for Belt Harris Pechacek, LLP features the names 'BELT', 'HARRIS', and 'PECHACEK' in a stylized, serif font, with 'LLP' in a smaller, sans-serif font to the right. The letters are dark blue or black.

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
November 13, 2019

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

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EDNA

INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended August 31, 2019

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, 2019. 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, 2019 was \$25,119,927.
- For the fiscal year ended August 31, 2019, the District's general fund reported a total fund balance of \$8,779,451, which 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 \$9,858,649.

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, 2019

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 (the "Board") 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 intended purposes. All of the District's fiduciary activities are reported in a separate statement of

EDNA
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, (Continued)
For the Year Ended August 31, 2019

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 \$25,119,927 at August 31, 2019. *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, 2019. Within *Table 2*, the District reported an increase of \$530,543 in combined net position from the prior year. The total assets increased \$635,009 mainly due to an increase in current investments and cash and cash equivalents resulting from a significant decrease in capital costs and an increase in property tax revenues and School Health and Related Service program receipts. There was a decrease in capital assets from current year depreciation in excess of additions. The total liabilities increased \$2,741,883 mainly due to the increase in the net pension and net other postemployment benefits (OPEB) liabilities.

Table 1 Net Position Description	Governmental Activities		Total Change
	2019	2018	2019-2018
Current assets	\$ 11,299,648	\$ 10,112,599	\$ 1,187,049
Capital assets	41,247,527	41,799,567	(552,040)
Total Assets	52,547,175	51,912,166	635,009
Deferred charge on refunding	760,016	812,519	(52,503)
Deferred outflows - pensions	2,544,904	1,076,761	1,468,143
Deferred outflows - OPEB	1,001,804	81,917	919,887
Total Deferred Outflows of Resources	4,306,724	1,971,197	2,335,527
Current liabilities	951,567	875,040	76,527
Long-term liabilities	28,438,667	25,773,311	2,665,356
Total Liabilities	29,390,234	26,648,351	2,741,883
Deferred inflows - pensions	341,127	496,980	(155,853)
Deferred inflows - OPEB	2,002,611	2,148,648	(146,037)
Total Deferred Inflows of Resources	2,343,738	2,645,628	(301,890)
Net Position			
Net invested in capital assets	24,452,420	24,498,580	(46,160)
Restricted	1,079,198	1,151,131	(71,933)
Unrestricted	(411,691)	(1,060,327)	648,636
Total Net Position	\$ 25,119,927	\$ 24,589,384	\$ 530,543

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INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, (Continued)
For the Year Ended August 31, 2019

Table 2
Changes in Net Position

	Governmental Activities		Total Change
	2019	2018	2019-2018
Revenues:			
Program revenues:			
Charges for services	\$ 1,341,076	\$ 1,105,300	\$ 235,776
Operating grants and contributions	4,014,855	573,530	3,441,325
General revenues:			
Property taxes	6,718,193	6,635,005	83,188
Grants and contributions not restricted for specific programs	7,644,617	7,963,354	(318,737)
Investment earnings	228,744	154,501	74,243
Other revenue	367,734	743,121	(375,387)
Total Revenues	20,315,219	17,174,811	3,140,408
Expenses:			
Instruction	10,276,025	6,695,558	3,580,467
Instructional resources and media services	148,123	112,702	35,421
Curriculum/instructional staff development	108,997	95,011	13,986
Instructional leadership	400,939	231,688	169,251
School leadership	1,202,970	635,569	567,401
Guidance, counseling, and evaluation services	773,423	304,853	468,570
Health services	177,650	169,257	8,393
Student (pupil) transportation	383,529	318,749	64,780
Food services	926,870	971,672	(44,802)
Extracurricular activities	1,164,681	961,753	202,928
General administration	792,913	516,042	276,871
Plant maintenance and operations	1,907,329	1,947,130	(39,801)
Security and monitoring services	102,126	55,424	46,702
Data processing services	70,988	63,031	7,957
Community services	394	1,178	(784)
Debt service - interest on long-term debt	445,736	458,664	(12,928)
Bond issuance cost	5,100	155,865	(150,765)
Payments to fiscal agent/member districts of SSA	720,575	612,710	107,865
Other intergovernmental charges	176,308	205,751	(29,443)
Total Expenses	19,784,676	14,512,607	5,272,069
Change in Net Position	530,543	2,662,204	(2,131,661)
Beginning net position	24,589,384	21,927,180	2,662,204
Ending Net Position	\$ 25,119,927	\$ 24,589,384	\$ 530,543

The total revenue increased by \$3,140,408 mainly due to a significant increase in operating grants and contributions due to prior year negative revenues related to NECE on-behalf accruals to the OPEB plan. The total expenses increased by \$5,272,069 mainly due to the increase in many functions largely due to the prior year negative expenses related to NECE on-behalf accruals for the OPEB plan and the current year increases in the net pension/OPEB liability.

EDNA
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, (Continued)
For the Year Ended August 31, 2019

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2019, the District's governmental funds reported a combined fund balance of \$9,858,649. This compares to a combined fund balance of \$8,806,850 at August 31, 2018. The general fund fund balance of \$8,779,451 increased by \$1,123,732 during the fiscal year. Compared to the prior year, revenues increased by \$44,523 due mainly to the new Texas Medicaid and Healthcare Partnership revenue. Compared to the prior year, expenditures decreased by \$567,874 mainly due to the decrease in capital outlay in the current year. The fund balance in the debt service fund of \$766,923 decreased by \$5,224, mainly due to the decrease in property taxable value and the debt service tax rate.

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, 2019, 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 \$656,239 mainly due to more State program and property tax revenues than anticipated. Budgeted expenditures exceeded actual expenditures by \$844,623 mainly due to the less expenditures than budgeted in instructions, plant and maintenance and operations, transportation, and facility acquisition and construction.

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, 2019, 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, 2019, the District had a total of \$41,247,527 invested in capital assets (net of depreciation) such as land, construction in progress, buildings, and District equipment. This total includes \$834,541 invested during the fiscal year ended August 31, 2019.

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

- High school agriculture shop for \$52,180
- Server/Virtual Desktop Infrastructure/Firewall for \$684,053
- 2019 Chevrolet Suburban for \$40,388

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

LONG-TERM DEBT

At year end, the District had \$16,319,313 in outstanding bonds, a capital lease, and a loan versus \$16,785,707 last year. In 2019, the District entered into a new capital lease of \$684,053 for a server and firewall project.

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

EDNA
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, (Continued)
For the Year Ended August 31, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's budgeted expenditures for the 2019-2020 school year total \$17,134,357 and the District's Board adopted a maintenance and operations tax rate of \$0.970 and an interest and sinking tax rate of \$0.235 for a combined rate of \$1.205 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

EDNA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION - EXHIBIT A-1

August 31, 2019

<u>Data Control Codes</u>		1 <u>Governmental Activities</u>
	<u>Assets</u>	
1110	Cash and cash equivalents	\$ 1,841,348
1120	Investments	8,775,124
1225	Property taxes receivable (net)	514,630
1240	Due from other governments	167,555
1290	Other receivables (net)	991
		<u>11,299,648</u>
	Capital assets:	
1510	Land	201,179
1520	Buildings and improvements, net	39,162,210
1530	Equipment and vehicles, net	1,884,138
		<u>41,247,527</u>
1000	Total Assets	<u>52,547,175</u>
	<u>Deferred Outflows of Resources</u>	
1701	Deferred charge on refunding	760,016
1705	Deferred outflows - pensions	2,544,904
1706	Deferred outflows - OPEB	1,001,804
1700	Total Deferred Outflows of Resources	<u>4,306,724</u>
	<u>Liabilities</u>	
2110	Accounts payable	131,008
2140	Interest payable	25,198
2150	Payroll deductions payable	4,288
2160	Wages payable	690,740
2200	Accrued expenditures	18,577
2300	Unearned revenue	81,756
		<u>951,567</u>
	Noncurrent liabilities:	
2501	Long-term liabilities due within one year	1,141,178
2502	Long-term liabilities due in more than one year	16,413,945
2540	Net pension liability	4,550,630
2545	Net OPEB liability	6,332,914
2000	Total Liabilities	<u>29,390,234</u>
	<u>Deferred Inflows of Resources</u>	
2605	Deferred inflows - pensions	341,127
2606	Deferred inflows - OPEB	2,002,611
2600	Total Deferred Inflows of Resources	<u>2,343,738</u>
	<u>Net Position</u>	
3200	Net investment in capital assets	24,452,420
	Restricted for:	
3820	Federal and state programs	44,085
3850	Debt service	766,923
3870	Campus activities	232,409
3890	Other purposes	35,781
3900	Unrestricted	(411,691)
3000	Total Net Position	<u>\$ 25,119,927</u>

See Notes to Financial Statements.

EDNA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2019

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	\$ 10,276,025	\$ -	\$ 2,027,829	\$ (8,248,196)
12	Instructional resources				
12	and media services	148,123	-	10,897	(137,226)
13	Curriculum/instructional				
13	staff development	108,997	-	8,811	(100,186)
21	Instructional leadership	400,939	-	61,456	(339,483)
23	School leadership	1,202,970	-	152,522	(1,050,448)
31	Guidance, counseling, and				
31	evaluation services	773,423	-	380,196	(393,227)
33	Health services	177,650	-	2,620	(175,030)
34	Student (pupil) transportation	383,529	-	10,301	(373,228)
35	Food services	926,870	218,444	687,456	(20,970)
36	Extracurricular activities	1,164,681	1,122,632	90,626	48,577
41	General administration	792,913	-	79,160	(713,753)
51	Plant maintenance and operations	1,907,329	-	139,763	(1,767,566)
52	Security and monitoring services	102,126	-	7,491	(94,635)
53	Data processing services	70,988	-	5,649	(65,339)
61	Community services	394	-	236	(158)
72	Debt service - interest on				
72	long-term debt	445,736	-	31,712	(414,024)
73	Bond issuance cost	5,100	-	-	(5,100)
93	Payments to fiscal agent/member				
93	districts of SSA	720,575	-	318,130	(402,445)
99	Other intergovernmental charges	176,308	-	-	(176,308)
	Total Governmental Activities	<u>\$ 19,784,676</u>	<u>\$ 1,341,076</u>	<u>\$ 4,014,855</u>	<u>(14,428,745)</u>
TP	Total Primary Government	<u>\$ 19,784,676</u>	<u>\$ 1,341,076</u>	<u>\$ 4,014,855</u>	<u>(14,428,745)</u>
	General Revenues				
MT	Property taxes, levied for general purposes				5,454,142
DT	Property taxes, levied for debt service				1,264,051
GC	Grants and contributions not restricted				
GC	for specific programs				7,644,617
IE	Investment earnings				228,744
MI	Miscellaneous local and intermediate revenue				367,734
TR	Total General Revenues				<u>14,959,288</u>
CN	Change in Net Position				<u>530,543</u>
NB	Beginning net position				<u>24,589,384</u>
NE	Ending Net Position				<u>\$ 25,119,927</u>

See Notes to Financial Statements.

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

August 31, 2019

Data Control Codes		10	50	Other Governmental Funds	98 Total Governmental Funds
		General	Debt Service		
Assets:					
1110	Cash and cash equivalents	\$ 1,158,925	\$ 272,112	\$ 410,311	\$ 1,841,348
1120	Investments	8,278,823	496,301	-	8,775,124
1220	Taxes receivable	704,966	155,723	-	860,689
1230	Allowance for uncollectible taxes	(288,108)	(57,951)	-	(346,059)
1240	Due from other governments	9,512	2,139	155,904	167,555
1260	Due from other funds	51,372	-	-	51,372
1290	Other receivables	991	-	-	991
1000	Total Assets	<u><u>\$ 9,916,481</u></u>	<u><u>\$ 868,324</u></u>	<u><u>\$ 566,215</u></u>	<u><u>\$ 11,351,020</u></u>
Liabilities:					
2110	Accounts payable	\$ 31,683	\$ -	\$ 99,325	\$ 131,008
2150	Payroll deductions payable	4,288	-	-	4,288
2160	Accrued wages payable	593,886	-	96,854	690,740
2170	Due to other funds	-	-	51,372	51,372
2200	Accrued expenditures	12,188	-	6,389	18,577
2300	Unearned revenue	78,127	3,629	-	81,756
2000	Total Liabilities	<u><u>720,172</u></u>	<u><u>3,629</u></u>	<u><u>253,940</u></u>	<u><u>977,741</u></u>
Deferred Inflows of Resources:					
2600	Unavailable revenue-property taxes	<u><u>416,858</u></u>	<u><u>97,772</u></u>	<u><u>-</u></u>	<u><u>514,630</u></u>
Fund Balances:					
Restricted:					
3450	Federal/state grant funds	-	-	44,085	44,085
3480	Debt service	-	766,923	-	766,923
3490	Other restrictions	-	-	268,190	268,190
3600	Unassigned	8,779,451	-	-	8,779,451
3000	Total Fund Balances	<u><u>8,779,451</u></u>	<u><u>766,923</u></u>	<u><u>312,275</u></u>	<u><u>9,858,649</u></u>
4000	Total Liabilities , Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 9,916,481</u></u>	<u><u>\$ 868,324</u></u>	<u><u>\$ 566,215</u></u>	<u><u>\$ 11,351,020</u></u>

See Notes to Financial Statements.

EDNA
INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - EXHIBIT C-1R
August 31, 2019

Total fund balances for governmental funds	\$	9,858,649
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Capital assets - nondepreciable	201,179	
Capital assets - depreciable	<u>41,046,348</u>	
		41,247,527

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

Accrued interest	(25,198)	
Deferred outflows - pensions	2,544,904	
Deferred outflows - OPEB	1,001,804	
Deferred tax revenue	514,630	
Amortization of loss on bond refunding	760,016	
Deferred inflows - pensions	(341,127)	
Deferred inflows - OPEB	(2,002,611)	
Noncurrent liabilities due in one year	(1,141,178)	
Net pension liability	(4,550,630)	
Net OPEB liability	(6,332,914)	
Noncurrent liabilities due in more than one year	<u>(16,413,945)</u>	
		<u>(25,986,249)</u>

Net Position of Governmental Activities	\$	<u><u>25,119,927</u></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, 2019

Data Control Codes		10	50	Other	98
		General	Debt Service	Governmental Funds	Total Governmental Funds
	<u>Revenues</u>				
5700	Local, intermediate, and out-of-state	\$ 5,972,201	\$ 1,280,152	\$ 1,341,076	\$ 8,593,429
5800	State program revenues	8,337,758	31,712	237,807	8,607,277
5900	Federal program revenues	364,015	-	2,242,641	2,606,656
5020	Total Revenues	<u>14,673,974</u>	<u>1,311,864</u>	<u>3,821,524</u>	<u>19,807,362</u>
	<u>Expenditures</u>				
0011	Instruction	7,679,999	-	1,947,861	9,627,860
0012	Instructional resources/media services	136,922	-	-	136,922
0013	Curriculum and staff development	100,532	-	830	101,362
0021	Instructional leadership	177,491	-	158,915	336,406
0023	School leadership	985,036	-	-	985,036
0031	Guidance, counseling, and				
0031	evaluation services	235,401	-	375,159	610,560
0033	Health services	129,428	-	26,941	156,369
0034	Student (pupil) transportation	387,156	-	-	387,156
0035	Food service	-	-	875,595	875,595
0036	Extracurricular activities	899,022	-	142,302	1,041,324
0041	General administration	637,362	-	42,275	679,637
0051	Plant maintenance and operations	1,756,141	-	-	1,756,141
0052	Security and monitoring services	94,126	-	-	94,126
0053	Data processing services	64,524	-	-	64,524
0061	Community services	138	-	225	363
	Debt service:				
0071	Principal	210,447	940,000	-	1,150,447
0072	Interest	9,637	471,988	-	481,625
0073	Debt issuance costs and fees	-	5,100	-	5,100
	Capital outlay:				
0081	Facilities acquisition and construction	52,180	-	-	52,180
	Intergovernmental:				
0093	Shared services arrangements	402,445	-	318,130	720,575
0099	Other intergovernmental charges	176,308	-	-	176,308
6030	Total Expenditures	<u>14,134,295</u>	<u>1,417,088</u>	<u>3,888,233</u>	<u>19,439,616</u>
1100	Excess (Deficiency) of Revenues				
1100	Over (Under) Expenditures	<u>539,679</u>	<u>(105,224)</u>	<u>(66,709)</u>	<u>367,746</u>
	<u>Other Financing Sources (Uses)</u>				
7914	Capital lease	684,053	-	-	684,053
7915	Transfers in	-	100,000	-	100,000
8911	Transfers (out)	(100,000)	-	-	(100,000)
7080	Total Other Financing Sources (Uses)	<u>584,053</u>	<u>100,000</u>	<u>-</u>	<u>684,053</u>
1200	Net Change in Fund Balances	1,123,732	(5,224)	(66,709)	1,051,799
0100	Beginning fund balances	7,655,719	772,147	378,984	8,806,850
3000	Ending Fund Balances	<u>\$ 8,779,451</u>	<u>\$ 766,923</u>	<u>\$ 312,275</u>	<u>\$ 9,858,649</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, 2019

Net changes in fund balances - total governmental funds \$ 1,051,799

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	(1,386,581)
Capital outlay	834,541

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	62,320
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The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Principal repayments	1,150,447
Accrued interest	(3,597)
Amortization of loss on refunding	(52,503)
Amortization of premiums	91,989

Pension and other postemployment benefit (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	(2,027,444)
Change in net OPEB liability	(1,196,295)
Net change in deferred outflows and inflows - pensions	1,623,996
Net change in deferred outflows and inflows - OPEB	1,065,924
Net on-behalf contributions adjustment - revenues	445,537
Net on-behalf contributions adjustment - expenses	<u>(445,537)</u>

Change in Net Position of Governmental Activities	\$ <u>530,543</u>
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See Notes to Financial Statements.

EDNA
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - EXHIBIT E-1
August 31, 2019

Data Control Codes			Total Agency Funds
	<u>Assets</u>		
1110	Cash and cash equivalents		\$ 160,583
1000		Total Assets	<u>\$ 160,583</u>
	<u>Liabilities</u>		
2190	Due to student groups		\$ 160,583
2000		Total Liabilities	<u>\$ 160,583</u>

See Notes to Financial Statements.

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended August 31, 2019

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. 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, 2019

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, 2019

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, 2019

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. 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

4. Deferred Outflows/Inflows of Resources

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

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2019

- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- 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.

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.

5. 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 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.

6. 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.

7. 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

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2019

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.

8. 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.

9. 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.

10. 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.

11. 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

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2019

(including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Other Postemployment Benefits

The fiduciary net position of the TRS Texas Public School Retired Employees Group Insurance Program ("TRS-Care") has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to 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.

2. Property Taxes

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

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

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.

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.

EDNA

INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, (Continued)

For the Year Ended August 31, 2019

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of August 31, 2019, 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	\$ 8,775,124	0.11
Total	\$ 8,775,124	
Portfolio weighted average maturity		0.11

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, 2019, checking and time deposits were entirely insured or collateralized with securities as provided by State laws and regulations and FDIC insurance.

Credit risk. The District’s policy requires that investment pools must be rated no lower than ‘AAA’ or ‘AAA-m’. Bankers’ acceptances must be issued in the United States and carry a rating of ‘A1’/‘P1’ as provided by two of the top nationally recognized rating agencies. As of August 31, 2019, the District’s investments in Lone Star were rated ‘AAA’ by Standard & Poor’s. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency.

Custodial credit risk - investments. For an investment, this is the risk that the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The District’s investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

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, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Lone Star is administered by First Public, a subsidiary of the Texas Associate of School Boards, 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 officials of a participant. Lone Star has established an advisory board composed of both Lone Star 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 Overnight, Corporate Overnight, and Corporate Overnight Plus maintain a net asset value of \$1.00.

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2019

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	52,180	(466,755)	-
Total capital assets not being depreciated	<u>615,754</u>	<u>52,180</u>	<u>(466,755)</u>	<u>201,179</u>
Other capital assets:				
Buildings and improvements	50,573,949	466,755	-	51,040,704
Equipment and vehicles	3,409,972	782,361	(17,189)	4,175,144
Total other capital assets	<u>53,983,921</u>	<u>1,249,116</u>	<u>(17,189)</u>	<u>55,215,848</u>
Less accumulated depreciation for:				
Buildings and improvements	(10,830,593)	(1,047,901)	-	(11,878,494)
Equipment and vehicles	(1,969,515)	(338,680)	17,189	(2,291,006)
Total accumulated depreciation	<u>(12,800,108)</u>	<u>(1,386,581)</u>	<u>17,189</u>	<u>(14,169,500)</u>
Other capital assets, net	<u>41,183,813</u>	<u>(137,465)</u>	<u>-</u>	<u>41,046,348</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 41,799,567</u>	<u>\$ (85,285)</u>	<u>\$ (466,755)</u>	<u>41,247,527</u>
			Less associated debt	(17,555,123)
			Plus deferred charge on refunding	760,016
			Net Investment in Capital Assets	<u>\$ 24,452,420</u>

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2019

Depreciation was charged to governmental functions as follows:

	Governmental Activities
11 Instruction	\$ 777,924
12 Instructional resources/media services	11,742
13 Curriculum and staff development	8,557
21 Instructional leadership	28,851
23 School leadership	84,478
31 Guidance, counseling, and evaluation services	52,376
33 Health services	13,410
34 Student (pupil) transportation	34,172
35 Food service	66,605
36 Extracurricular activities	87,874
41 General administration	58,195
51 Plant maintenance and operations	148,758
52 Security and monitoring services	8,076
53 Data processing services	5,532
61 Community services	31
Total Depreciation Expense	\$ 1,386,581

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2019

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	\$ 225,000	\$ -	\$ (75,000)	\$ 150,000	\$ 75,000
Series 2014 tax refunding bonds	6,185,000	-	(390,000)	5,795,000	400,000
Series 2015 refunding bonds	1,410,000	-	(85,000)	1,325,000	90,000
Series 2017 refunding bonds	5,460,000	-	-	5,460,000	-
Direct borrowing and placement:					
Series 2011 QSC bonds	3,120,000	-	(390,000)	2,730,000	390,000
Loan payable:					
2017 LED lighting upgrade	385,707	-	(60,518)	325,189	61,886
Capital lease:					
2019 Dell equipment	-	684,053	(149,929)	534,124	124,292
	<u>16,785,707</u>	<u>684,053</u>	<u>(1,150,447)</u>	<u>16,319,313</u>	<u>* 1,141,178</u>
Other liabilities:					
Unamortized bond premium	1,327,799	-	(91,989)	1,235,810	*
Net pension liability	2,523,186	2,027,444	-	4,550,630	-
Net OPEB liability	<u>5,136,619</u>	<u>1,196,295</u>	<u>-</u>	<u>6,332,914</u>	<u>-</u>
Total Governmental Activities	<u>\$ 25,773,311</u>	<u>\$ 3,907,792</u>	<u>\$ (1,242,436)</u>	<u>\$ 28,438,667</u>	<u>\$ 1,141,178</u>
				<u>Long-term liabilities due in more than one year</u>	
				<u>\$ 27,297,489</u>	
				<u>*Debt associated with capital assets</u>	<u>\$ 17,555,123</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.

In current year, the District entered into a capital lease agreement with Dell for technology equipment. The maturity date is July 1, 2023 with an issue price of \$684,053 and an interest rate of 4.6974%. The District plans on paying the capital lease with 5 annual payments of \$149,929.

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2019

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%	\$ 150,000
Series 2011 QSC bonds	N/A	2,730,000
Unlimited Tax Refunding Bonds		
Series 2014	2.00 - 3.75%	5,795,000
Series 2015	3.00 - 4.00%	1,325,000
Series 2017	3.00 - 4.50%	5,460,000
Loan - LED lighting upgrade	2.54%	325,189
Capital lease 2019	4.70%	534,124
Total General Obligation		\$ 16,319,313

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

Year Ended August 31	Principal	Interest	Total Requirements
2020	\$ 565,000	\$ 457,213	\$ 1,022,213
2021	585,000	439,963	1,024,963
2022	610,000	422,038	1,032,038
2023	630,000	402,938	1,032,938
2024	645,000	382,813	1,027,813
2025-2029	4,595,000	1,495,346	6,090,346
2030-2034	3,935,000	548,225	4,483,225
2035-2036	1,165,000	47,100	1,212,100
Totals	\$ 12,730,000	\$ 4,195,636	\$ 16,925,636

The annual requirements to amortize debt issues outstanding for the direct borrowing/placement at year end were as follows:

Series 2011Q

Year Ended August 31	Principal	Interest	Total Requirements
2020	\$ 390,000	\$ -	\$ 390,000
2021	390,000	-	390,000
2022	390,000	-	390,000
2023	390,000	-	390,000
2024	390,000	-	390,000
2025-2026	780,000	-	780,000
Totals	\$ 2,730,000	\$ -	\$ 2,730,000

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2019

LED lighting upgrade

Year Ended August 31	Principal	Interest	Total Requirements
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	68,053	1,937	69,990
Totals	\$ 325,189	\$ 25,421	\$ 350,610

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

Year Ended August 31	Principal	Interest	Total Requirements
2020	\$ 124,292	\$ 25,637	\$ 149,929
2021	130,258	19,671	149,929
2022	136,510	13,419	149,929
2023	143,064	6,865	149,929
Totals	\$ 534,124	\$ 65,592	\$ 599,716

D. Interfund Transactions

The interfund balances at August 31, 2019 were as follows:

	Due To Fund	Due From Fund
Fund 199 - General fund	\$ 51,372	\$ -
Fund 211 - Title I	-	313
Fund 226 - IDEA B	-	20,520
Fund 263 - Title III	-	813
Fund 289 - LEP	-	1,986
Fund 313 - IDEA B	-	23,563
Fund 410 - Textbook	-	4,177
Total	\$ 51,372	\$ 51,372

Amounts recorded as due to/from are considered to be temporary loans and will generally be paid during the following year.

Transfers between governmental funds during the fiscal year were as follows:

Transfers From	Transfers To	Amount
General Fund	Debt Service Fund	<u>\$ 100,000</u>

The transfers were used for the debt service payments.

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2019

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 due to immaterial balance.

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 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 TRS.

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2019

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 postemployment benefit changes, including automatic cost-of-living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in Plan Description above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of TRS 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 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

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INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, (Continued)

For the Year Ended August 31, 2019

Contribution Rates

	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

	<u>Measurement</u>	<u>Fiscal</u>
	<u>Year (2018)</u>	<u>Year (2019)</u>
Employer contributions	\$ 278,511	\$ 277,826
Member contributions	\$ 729,110	\$ 718,238
NECE on-behalf contributions	\$ 492,049	\$ 478,262

Contributors to TRS include members, employers, and the State of Texas (the “State”) as the only non-employer contributing entity (NECE). The State is the employer for senior colleges, medical schools, and state agencies, including TRS. In each respective role, the State contributes to TRS in accordance with state statutes and the GAA.

As the NECE for public education and junior colleges, the State contributes to TRS an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of TRS 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 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 TRS an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- 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 Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2019

Actuarial Assumptions

The total pension liability (TPL) in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	6.907%
Long-term expected investment rate of return	7.25%
Municipal bond rate	3.69%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data 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"
Last year ending August 31 in projection period (100 years)	2116
Inflation	2.3%
Salary increases including inflation	3.05% to 9.05%
Benefit changes during the year	None
Ad hoc postemployment 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, 2017 and adopted on July 2018.

Discount Rate

The single discount rate used to measure the TPL was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from TRS members and those of the contributing employers and the NECE are made at the statutorily required rates. Based on those assumptions, TRS's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, (Continued)

For the Year Ended August 31, 2019

Best estimates of geometric real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2018 are summarized below:

Teacher Retirement System of Texas

Asset Allocation and Long - Term Expected Real Rate of Return

As of August 31, 2018

	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18.0%	5.7%	1.0%
Non - U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
Stable			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Returns	0.0%	0.0%	0.0%
Hedge Funds (Stable Value)	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
Real Return			
Global Inflation-Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy & Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation	0.0%		2.3%
Alpha	0.0%		-0.8%
Total	100.0%		7.1%

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

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INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, (Continued)

For the Year Ended August 31, 2019

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability (NPL) if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the NPL:

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the net pension liability	\$ 6,867,992	\$ 4,550,630	\$ 2,674,588

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

At August 31, 2019, the District reported a liability of \$4,550,630 for its proportionate share of the TRS's NPL. 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 NPL, the related State support, and the total portion of the NPL that was associated with the District were as follows:

District's proportionate share of collective net pension liability	\$ 4,550,630
State's proportionate share that is associated with the District	8,044,667
Total	\$ 12,595,297

The NPL was measured as of August 31, 2018 and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date. The employer's proportion of the NPL 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, 2017 through August 31, 2018.

At August 31, 2018, the District's proportion of the collective net pension liability was 0.008267%, which was an increase of 0.0003763% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the TPL since the prior measurement period.

- The TPL as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions, including rates of salary increase for individual participants, were updated based on the same experience study.
- The discount rate changed from 8.000% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.00% to 7.25%.

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NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2019

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, 2019, the District recognized pension expense of \$796,208 and revenue of \$796,208 for support provided by the State.

At August 31, 2019, 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	\$ 28,365	\$ 111,654
Changes in actuarial assumptions	1,640,721	51,273
Difference between projected and actual investment earnings	-	86,345
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	597,992	91,855
Contributions paid to TRS subsequent to the measurement date	277,826	-
Total	\$ 2,544,904	\$ 341,127

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:

Year Ended August 31	Pension Expense
2020	\$ 531,165
2021	349,457
2022	293,191
2023	282,172
2024	277,192
Thereafter	192,774
Total	\$ 1,925,951

D. Defined Other Postemployment Benefit Plans

Plan Description

The District participates in TRS-Care. It is a multiple-employer, cost-sharing defined benefit OPEB plan that has a special funding situation. TRS-Care is administered through a trust by 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

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INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, (Continued)

For the Year Ended August 31, 2019

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, 2018 are as follows:

Total OPEB liability	\$ 50,729,490,103
Less: plan fiduciary net position	<u>798,574,633</u>
Net OPEB Liability	<u>\$ 49,930,915,470</u>
Net position as a percentage of total OPEB liability	1.57%

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 TRS. 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 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 TRS. 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 postemployment 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 a retiree with and without Medicare coverage:

TRS-Care Plan Premium Rates Effective January 16 - December 31, 2018

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and spouse	\$ 529	\$ 689
Retiree* and children	\$ 468	\$ 408
Retiree and family	\$ 1,020	\$ 999

**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, 2019

Texas Insurance Code, section 1575.202 establishes the State's contribution rate, which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate, which is 0.75% 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	
	2018	2019
Active employee	0.65%	0.65%
NECE (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%

	Measurement	Fiscal
	Year (2018)	Year (2019)
Employer contributions	\$ 81,114	\$ 81,259
Member contributions	\$ 61,548	\$ 60,631
NECE on-behalf contributions	\$ 111,475	\$ 116,597

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 supplemental appropriations from the State as the (NECE) in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the fiscal year 2018-2019 biennium to continue to support TRS-Care. This was also received in fiscal year 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

- A change was made in the measurement date of the total OPEB liability for the TRS 2018 fiscal year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total OPEB liability to August 31, 2018. This was the first year the roll-forward procedures were used.
- 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 rates of retirement, termination, and disability; and most of the economic assumptions, including general inflation, salary increases, and

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INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, (Continued)

For the Year Ended August 31, 2019

general payroll growth, used in the OPEB valuation were identical to those used in the respective TRS pension valuation.

- The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale.
- Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and an initial medical trend rate of 6.75% for non-Medicare retirees were used. The initial prescription drug trend rate was 11.00% for all retirees. The first-year trend rate increase for the Medicare Advantage (medical) premiums reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.

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 that was rolled forward to August 31, 2018:

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	8/31/2017 rolled forward to 8/31/2018
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single discount rate	3.69%. Sourced from 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, 2018.
Aging factors	Based on plan-specific experience
Election rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65.
Expenses	Third-party administrative expenses related to the delivery of healthcare benefits are included in the age-adjusted claims costs.
Projected salary increases*	3.05% to 9.05%, including inflation
Ad hoc postemployment benefit changes	None

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

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.5%.
- 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.

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2019

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.

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% 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 NECE 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.

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 (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of net OPEB liability	<u>\$ 7,538,343</u>	<u>\$ 6,332,914</u>	<u>\$ 5,379,341</u>

Healthcare Cost Trend Rates Sensitivity Analysis – The following presents the net OPEB liability of TRS-Care using the assumed healthcare cost trend rate of 8.5%, 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	<u>\$ 5,259,588</u>	<u>\$ 6,332,914</u>	<u>\$ 7,746,507</u>

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

At August 31, 2018, the District reported a liability of \$6,332,914 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	\$ 6,332,914
State's proportionate share that is associated with the District	8,079,898
Total	<u><u>\$ 14,412,812</u></u>

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2019

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 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, 2017 through August 31, 2018.

At August 31, 2018, the District's proportion of the collective net OPEB liability was 0.0126834%, an increase of 0.0008713% compared to August 31, 2017.

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:

- Adjustments were made for retirees that were known to have discontinued their healthcare coverage in fiscal year 2018. This change increased the total OPEB liability.
- The healthcare trend rate assumption was updated to reflect the anticipated return of the HIF in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability by \$2.3 billion.

The following are changes in benefit terms since the prior measurement date effective September 1, 2017 by the 851th Texas Legislature:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Adventure plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed TRS-Care to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended August 31, 2019, the District recognized OPEB expense of \$293,898 and revenue of \$293,898 for support provided by the State.

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2019

At August 31, 2019, 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	\$ 336,064	\$ 99,943
Changes in actuarial assumptions	105,679	1,902,668
Differences between projected and actual investment earnings	1,108	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	477,694	-
Contributions paid to TRS subsequent to the measurement date	81,259	-
Total	\$ 1,001,804	\$ 2,002,611

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,	OPEB Expense
2020	\$ (189,823)
2021	(189,823)
2022	(189,823)
2023	(190,032)
2024	(190,153)
Thereafter	(132,412)
	\$ (1,082,066)

Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2019, 2018, and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$36,639, \$28,601, and \$27,371, respectively.

E. Employee Health Care Coverage

During the year ended August 31, 2019, 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, 2019 and terms of coverage and premiums costs are included in the contractual provisions.

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2019

F. Workers' Compensation Insurance

During the year ended August 31, 2019, 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 depleted, additional contributions of 10% of the maximum loss fund are made as needed not to exceed the member maximum loss fund. The District's loss fund maximum for fiscal year 2019 was \$56,968. 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, 2019, 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	\$ 436,154
Industrial ISD	338,562
Ganado ISD	222,344
Total	<u><u>\$ 997,060</u></u>

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.

EDNA

INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, (Continued)

For the Year Ended August 31, 2019

Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Formula</u>	<u>Preschool</u>	<u>Residential</u>	<u>IEP Grant</u>
Edna ISD	\$ 216,662	\$ 13,101	\$ 20,520	\$ 8,035
Industrial ISD	138,463	5,050	-	8,035
Ganado ISD	92,364	1,536	-	8,035
Total	<u>\$ 447,489</u>	<u>\$ 19,687</u>	<u>\$ 20,520</u>	<u>\$ 24,105</u>

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 school district maintenance and operation taxes (M&O) 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 eight-year limitation on the taxable property value for school district M&O tax.

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.

EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, (Continued)
For the Year Ended August 31, 2019

The estimated potential tax benefit to the Company resulting from the value limitation total \$12,876,712 over a 15-year period. In addition, the Company is eligible for a tax credit on taxes paid on values in excess of the value limitation in each of the first two years. The cumulative tax credits are projected to be approximately \$1,047,206. 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.

(A)	(B)	(C)	(D)	(E)	(F)	(G)
Project Value 2019	Project's Value Limitation Amount 2019	Amount of Applicant's M&O Taxes Paid 2019	Amount of Applicant's M&O Taxes Reduced 2019	Company Revenue Loss Payment To School District 2019	Company Supplemental Paymernt To School District 2019	Net Benefit (Loss) to the School District 2019 (C+E+F)
\$81,330,100	\$10,000,000	\$0	\$845,833	\$10,554	\$143,273	\$153,827

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, 2019

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	<u>Revenues</u>				
5700	Local, intermediate, and out-of-state	\$ 5,618,328	\$ 5,724,572	\$ 5,972,201	\$ 247,629
5800	State program revenues	7,912,218	8,072,718	8,337,758	265,040
5900	Federal program revenues	150,445	220,445	364,015	143,570
5020	Total Revenues	13,680,991	14,017,735	14,673,974	656,239
	<u>Expenditures</u>				
0011	Instruction	7,060,056	7,875,559	7,679,999	195,560
0012	Instructional resources/media services	151,488	152,488	136,922	15,566
0013	Curriculum and staff development	128,308	118,858	100,532	18,326
0021	Instructional leadership	174,338	181,838	177,491	4,347
0023	School leadership	991,817	991,817	985,036	6,781
0031	Guidance, counseling, and				
0031	evaluation services	265,541	265,541	235,401	30,140
0033	Health services	139,844	143,844	129,428	14,416
0034	Student (pupil) transportation	507,935	507,935	387,156	120,779
0035	Food service	6,900	6,900	-	6,900
0036	Extracurricular activities	906,375	969,475	899,022	70,453
0041	General administration	669,824	669,824	637,362	32,462
0051	Plant maintenance and operations	1,728,741	1,853,885	1,756,141	97,744
0052	Security and monitoring services	57,388	101,388	94,126	7,262
0053	Data processing services	84,636	84,636	64,524	20,112
0061	Community services	2,800	2,800	138	2,662
	Debt service:				
0071	Principal	60,544	210,474	210,447	27
0072	Interest	9,637	9,637	9,637	-
	Capital outlay:				
0081	Facilities acquisition and construction	-	229,545	52,180	177,365
	Intergovernmental:				
0093	Shared services arrangements	402,445	402,445	402,445	-
0099	Other intergovernmental charges	230,029	200,029	176,308	23,721
6030	Total Expenditures	13,578,646	14,978,918	14,134,295	844,623
	Excess (Deficiency) of Revenues				
1100	Over (Under) Expenditures	102,345	(961,183)	539,679	1,500,862
	<u>Other Financing Sources (Uses)</u>				
7914	Capital lease	-	684,053	684,053	-
8911	Transfers (out)	(102,345)	(102,345)	(100,000)	2,345
7080	Total Other Financing (Uses)	(102,345)	581,708	584,053	2,345
1200	Net Change in Fund Balance	-	(379,475)	1,123,732	1,503,207
0100	Beginning fund balance	7,655,719	7,655,719	7,655,719	-
3000	Ending Fund Balance	\$ 7,655,719	\$ 7,276,244	\$ 8,779,451	\$ 1,503,207

See Notes to Required Supplementary Information

1 Annual budgets are adopted on a basis consistent with generally accepted accounting principals (GAAP).

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, 2019

	Measurement Year*			
	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0082675%	0.0078912%	0.0082601%	0.0088022%
District's proportionate share of the net pension liability (asset)	\$ 4,550,630	\$ 2,523,186	\$ 3,121,377	\$ 3,111,461
State's proportionate share of the net pension liability (asset) associated with the District	8,044,667	4,770,460	5,727,712	5,376,004
Total	\$ 12,595,297	\$ 7,293,646	\$ 8,849,089	\$ 8,487,465
District's covered payroll**	\$ 9,468,960	\$ 9,140,879	\$ 9,035,394	\$ 8,697,318
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	48.06%	26.65%	34.55%	35.77%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%

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

**As of the measurement date

Notes to Required Supplementary Information:

Changes in Assumptions

The TPL, as of August 31, 2018, was developed using a roll-forward method from the August 31, 2017 valuation.

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study

Economic assumptions including rates of salary increases for individual participants was updated based on the same experience study.

The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.

The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.

The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

Changes in Benefits

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

Measurement Year*
2014

0.0044939%

\$ 1,200,382

4,481,720

\$ 5,682,102

\$ 7,687,454

15.61%

83.25%

EDNA
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-3
For the Year Ended August 31, 2019

	Fiscal Year*			
	2019	2018	2017	2016
Contractually required contribution	\$ 277,826	\$ 269,681	\$ 258,133	\$ 263,859
Contributions in relation to the contractually required contribution	277,826	269,681	258,133	263,859
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 9,327,770	\$ 9,468,960	\$ 9,140,879	\$ 9,035,394
Contributions as a percentage of covered payroll	2.98%	2.85%	2.82%	2.92%

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

Fiscal Year*	
2015	2014
\$ 143,176	\$ 115,373
143,176	115,373
\$ -	\$ -
\$ 8,697,318	\$ 7,687,454
1.65%	1.50%

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, 2019

	Measurement Year*	
	2018	2017
District's proportion of the collective net OPEB liability (asset)	0.0126834%	0.0118121%
District's proportionate share of the collective net OPEB liability (asset) associated with the District	\$ 6,332,914	\$ 5,136,619
State's proportionate share of the collective net OPEB liability (asset)	8,079,898	7,172,692
Total	<u>\$ 14,412,812</u>	<u>\$ 12,309,311</u>
District's covered payroll**	\$ 9,468,960	\$ 9,140,879
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	66.88%	56.19%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%

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

** As of measurement date

Notes to Required Supplementary Information:

Changes in Assumptions: There were changes in assumptions that affected measurement of the total OPEB liability since the prior measurement period.

- Adjustments were made for retirees that were known to have discontinued their healthcare coverage in fiscal year 2018. This change increased the total OPEB liability.
- The healthcare trend rate assumption was updated to reflect the anticipated return of the HIF in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability by \$2.3 billion.

Changes in Benefits: There were changes in benefits that affected measurement of the total OPEB liability since the prior measurement period.

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicate Adventure plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed TRS-Care to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

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, 2019

	Fiscal Year*		
	2019	2018	2017
Statutorily required contributions	\$ 81,259	\$ 81,114	\$ 61,411
Contributions in relations to the statutorily required contributions	81,259	81,114	61,411
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 9,327,770	\$ 9,468,960	9,140,879
Contributions as a percentage of covered payroll	0.87%	0.86%	0.67%

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

***OTHER SUPPLEMENTARY
INFORMATION***

EDNA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 1 of 2)

August 31, 2019

Data Control Codes		211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	226 IDEA-B Discretionary	240 National School Breakfast/ Lunch
	<u>Assets</u>				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 99,070
1240	Due from other governments	20,193	14,578	20,520	44,340
1000	Total Assets	<u>\$ 20,193</u>	<u>\$ 14,578</u>	<u>\$ 20,520</u>	<u>\$ 143,410</u>
	<u>Liabilities</u>				
2110	Accounts payable	\$ -	\$ -	\$ -	\$ 99,325
2160	Accrued wages payable	17,922	13,148	-	-
2170	Due to other funds	313	-	20,520	-
2200	Accrued expenditures	1,958	1,430	-	-
2000	Total Liabilities	<u>20,193</u>	<u>14,578</u>	<u>20,520</u>	<u>99,325</u>
	<u>Fund Balances</u>				
	Restricted:				
3450	Federal/state grant funds	-	-	-	44,085
3490	Other restrictions	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,085</u>
4000	Total Liabilities and Fund Balances	<u>\$ 20,193</u>	<u>\$ 14,578</u>	<u>\$ 20,520</u>	<u>\$ 143,410</u>

244	255	263	289	313	314
Career & Technical - Basic Grant	Teacher & Principal Training	English Language Acquisition & Enhancement	Misc. Federal Programs	IDEA-B Formula	IDEA-B Preschool
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	813	1,986	46,647	2,650
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 813</u>	<u>\$ 1,986</u>	<u>\$ 46,647</u>	<u>\$ 2,650</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	21,124	2,392
-	-	813	1,986	23,563	-
-	-	-	-	1,960	258
<u>-</u>	<u>-</u>	<u>813</u>	<u>1,986</u>	<u>46,647</u>	<u>2,650</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 813</u>	<u>\$ 1,986</u>	<u>\$ 46,647</u>	<u>\$ 2,650</u>

EDNA
INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 2 of 2)
August 31, 2019

		315	385	392	410
Data Control Codes		IDEA-B IEP	Supplementary Visually Impaired	Non Educational Community Based Support	State Textbook
<u>Assets</u>					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from other governments	-	-	-	4,177
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,177</u>
<u>Liabilities</u>					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	-	-	4,177
2200	Accrued expenditures	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,177</u>
<u>Fund Balances</u>					
Restricted:					
3450	Federal/state grant fund	-	-	-	-
3490	Other restrictions	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,177</u>

429	437	461	495	498	Total Nonmajor Governmental Funds
State Pre-K	Student Success Initiative	Campus Activity	District UIL 28AAA	Formosa Grant	
\$ -	\$ 275,460	\$ 35,781	\$ -	\$ -	\$ 410,311
-	-	-	-	-	155,904
<u>\$ -</u>	<u>\$ 275,460</u>	<u>\$ 35,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 566,215</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,325
-	42,268	-	-	-	96,854
-	-	-	-	-	51,372
-	783	-	-	-	6,389
<u>-</u>	<u>43,051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,940</u>
-	-	-	-	-	44,085
<u>-</u>	<u>232,409</u>	<u>35,781</u>	<u>-</u>	<u>-</u>	<u>268,190</u>
<u>-</u>	<u>232,409</u>	<u>35,781</u>	<u>-</u>	<u>-</u>	<u>312,275</u>
<u>\$ -</u>	<u>\$ 275,460</u>	<u>\$ 35,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 566,215</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, 2019

Data Control Codes		211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	226 IDEA-B Discretionary	240 National School Breakfast/ Lunch
	<u>Revenues</u>				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ 218,444
5800	State program revenues	-	-	-	4,196
5900	Federal program revenues	320,038	139,655	20,520	652,448
5020	Total Revenues	<u>320,038</u>	<u>139,655</u>	<u>20,520</u>	<u>875,088</u>
	<u>Expenditures</u>				
0011	Instruction	320,038	139,655	20,520	-
0013	Curriculum and staff development	-	-	-	-
0021	Instructional leadership	-	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	-	875,595
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0061	Community services	-	-	-	-
0093	Shared services arrangements	-	-	-	-
6030	Total Expenditures	<u>320,038</u>	<u>139,655</u>	<u>20,520</u>	<u>875,595</u>
1200	Net Change in Fund Balances	-	-	-	(507)
0100	Beginning fund balances	-	-	-	44,592
3000	Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,085</u>

244	255	263	289	313	314
Career & Technical - Basic Grant	Teacher & Principal Training	English Language Acquisition & Enhancement	Misc. Federal Programs	IDEA-B Formula	IDEA-B Preschool
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
20,743	43,219	13,944	235,819	745,893	19,687
20,743	43,219	13,944	235,819	745,893	19,687
20,743	43,219	13,944	235,819	105,511	19,687
-	-	-	-	10	-
-	-	-	-	28,720	-
-	-	-	-	293,328	-
-	-	-	-	194	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	318,130	-
20,743	43,219	13,944	235,819	745,893	19,687
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2019

		315	385	392	410
Data					
Control					
Codes					
		IDEA-B	Supplementary	Non Educational	State
		IEP	Visually	Community	Textbook
			Impaired	Based Support	
	Revenues				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	231,761
5900	Federal program revenues	24,105	2,900	225	-
5020	Total Revenues	<u>24,105</u>	<u>2,900</u>	<u>225</u>	<u>231,761</u>
	Expenditures				
0011	Instruction	24,105	2,900	-	231,983
0013	Curriculum and staff development	-	-	-	-
0021	Instructional leadership	-	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0061	Community services	-	-	225	-
0093	Shared services arrangements	-	-	-	-
6030	Total Expenditures	<u>24,105</u>	<u>2,900</u>	<u>225</u>	<u>231,983</u>
1200	Net Change in Fund Balances	-	-	-	(222)
0100	Beginning fund balances	-	-	-	222
3000	Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

429	437	461	495	498	Total Nonmajor Governmental Funds
State Pre-K	Student Success Initiative	Campus Activity	District UIL 28AAA	Formosa Grant	
\$ -	\$ 920,000	\$ 126,777	\$ 40,855	\$ 35,000	\$ 1,341,076
1,850	-	-	-	-	237,807
-	3,445	-	-	-	2,242,641
1,850	923,445	126,777	40,855	35,000	3,821,524
1,050	717,848	17,695	-	33,144	1,947,861
800	20	-	-	-	830
-	130,195	-	-	-	158,915
-	81,831	-	-	-	375,159
-	26,747	-	-	-	26,941
-	-	-	-	-	875,595
-	-	101,447	40,855	-	142,302
-	40,419	-	-	1,856	42,275
-	-	-	-	-	225
-	-	-	-	-	318,130
1,850	997,060	119,142	40,855	35,000	3,888,233
-	(73,615)	7,635	-	-	(66,709)
-	306,024	28,146	-	-	378,984
\$ -	\$ 232,409	\$ 35,781	\$ -	\$ -	\$ 312,275

EDNA
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1
For the Year Ended August 31, 2019

	1	2	3
	Tax Rates		Net Assessed/ Appraised Value For School Tax Purposes
<u>Last Ten Years</u>	<u>Maintenance</u>	<u>Debt Service</u>	
2010 and prior	Various	Various	Various
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	\$ 608,955,282
2019	\$ 1.0600	\$ 0.2200	\$ 590,958,068
Totals			

10	20	31	32	40	50
Beginning Balance 9/1/18	Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 8/31/19
\$ 173,800	\$ -	\$ 5,665	\$ 374	\$ (23,226)	\$ 144,535
32,063	-	555	95	(361)	31,052
37,143	-	619	201	(246)	36,077
40,697	-	1,042	371	(61)	39,223
38,212	-	2,473	641	(325)	34,773
49,859	-	3,757	967	(451)	44,684
114,953	-	14,667	3,620	(140)	96,526
142,831	-	19,917	4,916	(629)	117,369
194,649	-	40,154	9,266	(3,704)	141,525
-	7,564,263	5,237,850	1,229,863	(921,625)	174,925
<u>\$ 824,207</u>	<u>\$ 7,564,263</u>	<u>\$ 5,326,699</u>	<u>\$ 1,250,314</u>	<u>\$ (950,768)</u>	<u>\$ 860,689</u>

EDNA
INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NATIONAL BREAKFAST AND LUNCH PROGRAM - EXHIBIT J-2
For the Year Ended August 31, 2019

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	\$ 234,150	\$ 218,444	\$ (15,706)
5800	State program revenues	4,339	4,339	4,196	(143)
5900	Federal program revenues	588,711	633,711	652,448	18,737
5020	Total Revenues	<u>813,200</u>	<u>872,200</u>	<u>875,088</u>	<u>2,888</u>
	<u>Expenditures</u>				
0035	Food service	801,225	876,225	875,595	630
6030	Total Expenditures	<u>801,225</u>	<u>876,225</u>	<u>875,595</u>	<u>630</u>
	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>11,975</u>	<u>(4,025)</u>	<u>(507)</u>	<u>3,518</u>
1200	Net Change in Fund Balance	<u>11,975</u>	<u>(4,025)</u>	<u>(507)</u>	<u>3,518</u>
0100	Beginning fund balance	<u>44,592</u>	<u>44,592</u>	<u>44,592</u>	<u>-</u>
3000	Ending Fund Balance	<u><u>\$ 56,567</u></u>	<u><u>\$ 40,567</u></u>	<u><u>\$ 44,085</u></u>	<u><u>\$ 3,518</u></u>

EDNA
INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE - EXHIBIT J-3
For the Year Ended August 31, 2019

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	\$ 1,218,549	\$ 1,223,549	\$ 1,280,152	\$ 56,603
5800	State program revenues	31,926	31,926	31,712	(214)
5020	Total Revenues	<u>1,250,475</u>	<u>1,255,475</u>	<u>1,311,864</u>	<u>56,389</u>
	<u>Expenditures</u>				
	Debt service:				
0071	Principal	940,000	940,000	940,000	-
0072	Interest	469,888	474,888	471,988	2,900
0073	Bond issuance costs and fees	5,100	5,100	5,100	-
6030	Total Expenditures	<u>1,414,988</u>	<u>1,419,988</u>	<u>1,417,088</u>	<u>2,900</u>
	(Deficiency) of Revenues				
1100	(Under) Expenditures	<u>(164,513)</u>	<u>(164,513)</u>	<u>(105,224)</u>	<u>59,289</u>
	<u>Other Financing Sources (Uses)</u>				
7915	Transfers in	102,345	102,345	100,000	(2,345)
7080	Total Other Financing Sources	<u>102,345</u>	<u>102,345</u>	<u>100,000</u>	<u>(2,345)</u>
1200	Net Change in Fund Balance	(62,168)	(62,168)	(5,224)	56,944
0100	Beginning fund balance	<u>772,147</u>	<u>772,147</u>	<u>772,147</u>	-
3000	Ending Fund Balance	<u>\$ 709,979</u>	<u>\$ 709,979</u>	<u>\$ 766,923</u>	<u>\$ 56,944</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, 2019

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, 2019, 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, 2019.

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.

The logo features the names 'Belt Harris Pechacek' in a large, elegant, cursive script. The letters are dark brown with a subtle gradient. To the right of the names, 'LLP' is written in a smaller, bold, sans-serif font.

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, 2019

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, 2019. 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, 2019.

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.

The logo features the names 'Belt Harris Pechacek' in a large, elegant, cursive script. Below the names, 'LLP' is written in a smaller, bold, sans-serif font.

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, 2019

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings.

EDNA
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2019

A. SUMMARY OF AUDIT RESULTS

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

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.173 & 84.027	IDEA B Cluster
84.938	Hurricane Recovery & Emergency Impact Aid

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

EDNA
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1
For the Year Ended August 31, 2019

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	19610101120901	\$ 300,158
Title I, Part A - Improving Basic Programs	84.010	20610101120901	19,880
Title II, Part A - Teacher/Principal Training	84.367	19694501120901	43,219
Title III, Part A - English Language Acquisition	84.365	19671001120901	13,944
Title IV, Part A, Subpart 1	84.424	19680101120901	22,087
Carl D. Perkins Basic Formula	84.048	19420006084908	20,743
Project Serv Hurricane Recover	84.938G	18510701120901	1,565
Restart Hurricane Recovery	84.938A	18511701120901	72,225
Texas Hurricane Homeless Youth	84.938B	19513701120901	8,272
Emergency Impact Aid to LEAs	84.938C	51271901	131,670
<i>Special Education Cluster:</i>			
IDEA-B Preschool	84.173	196610011209016000	17,037
IDEA-B Preschool	84.173	206610011209016000	2,650
IDEA-B Formula	84.027	186600011209016000	107,702
IDEA-B Formula	84.027	196600011209016000	615,107
IDEA-B Formula	84.027	206600011209016000	23,084
IDEA-B Disc - Residential	84.027A	196600121209016677	20,520
IDEA-B IEP Analysis	84.027	18660077120901	24,105
<i>Passed Through Region 3 ESC:</i>			
IDEA-B Vision Services	84.027	235950	3,125
Total U.S. Department of Education			1,447,093
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Texas Education Agency:</i>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	806780706	143,749
National School Lunch Program	10.555	806780706	449,427
USDA Commodity	10.565	806780706	59,272
Total U.S. Department of Agriculture			652,448
FEDERAL COMMUNICATIONS COMMISSION			
<i>Direct Program</i>			
Universal E-Rate	32.000		30,072
TOTAL FEDERAL COMMUNICATIONS COMMISSION			30,072
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,129,613
Reconciliation of Federal Revenue:			
SHARS Reimbursement			\$ 337,388
Passed through SSA IDEA-B Formula			139,655
Total Federal Revenue per Exhibit C-2			\$ 2,606,656

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EDNA
INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2019

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the District. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA, if any, represent adjustments or credit made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3: 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>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
IDEA - B	84.027	<u>\$ 298,404</u>

NOTE 4: 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, 2019

<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>4,550,630</u></u>

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