Garza/Gonzalez & Associates
CERTIFIED PUBLIC ACCOUNTANTS

EDGEWOOD INDEPENDENT SCHOOL DISTRICT

San Antonio, Texas

ANNUAL FINANCIAL AND COMPLIANCE REPORT

For The Ten Months Ended June 30, 2019

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EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

ANNUAL FINANCIAL AND COMPLIANCE REPORT

For The Ten Months Ended June 30, 2019

TABLE OF CONTENTS

	PAGE	EXHIBIT
CERTIFICATE OF BOARD	1	
FINANCIAL SECTION		
Independent Auditor's Report	2-4	
Management's Discussion and Analysis	5-13	
Basic Financial Statements		
Government-Wide Financial Statements:		
Statement of Net Position	14	A-1
Statement of Activities	15	B-1
Governmental Funds Financial Statements:		
Balance Sheet – Governmental Funds	16-17	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18	C-2
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19-20	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	21	C-4
Proprietary Fund Financial Statements:		
Statement of Net Position	22	D-1
Statement of Revenues, Expenses and Changes in Fund Net Position	23	D-2
Statement of Cash Flows	24	D-3
Fiduciary Funds Financial Statements:		
Statement of Fiduciary Net Position	25	E-1
Statement of Changes in Fiduciary Fund Net Position	26	E-2
Notes to Financial Statements	27-67	
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	68	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability Teacher Retirement System of Texas	69-70	G-6
Schedule of District Contributions for Pensions Teacher Retirement System of Texas	71-72	G-7
Schedule of District's Proportionate Share of the Net OPEB Liability Teacher Retirement System of Texas	73	G-8

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ANNUAL FINANCIAL AND COMPLIANCE REPORT

For The Ten Months Ended June 30, 2019

TABLE OF CONTENTS

	PAGE	EXHIBIT
REQUIRED SUPPLEMENTARY INFORMATION (Continued)		
Schedule District Contributions for Other Post-Employment Benefits (OPEB) Teacher Retirement System of Texas	74	G-9
Notes to Required Supplementary Information	75-76	
OTHER SUPPLEMENTARY INFORMATION		
Non Major Governmental Funds		
Combining Balance Sheet	77-79	H-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	80-82	H-2
Internal Service Funds		
Combining Statement of Net Position	83	H-3
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	84	H-4
Combining Statement of Cash Flows	85	H-5
TEA Compliance Schedules:		
Schedule of Delinquent Taxes Receivable	86-87	J-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Child Nutrition Program	88	J-4
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	89	J-5
COMPLIANCE SECTION		
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*	90-91	
Report on Compliance on Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	92-93	
Schedule of Findings and Questioned Costs	94-95	
Summary Schedule of Prior Audit Findings	96	
Schedule of Expenditures of Federal Awards	97-98	K-1
Notes to Schedule of Expenditures of Federal Awards	99-100	

EDGEWOOD INDEPENDENT SCHOOL DISTRICT	BEXAR	015-905
Name of School District	County	Co. Dist. Number

We, the undersigned, do hereby certify that the attached annual financial report of the above named school district was reviewed and ✓ approved ____ disapproved for the ten months ended June 30, 2019 at a meeting of the School Board of such school district on the 19th day of November, 2019.

Signature of Board Secretary

Signature of Board President

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

School Board
Edgewood Independent School District
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Edgewood Independent School District (the District), as of and for the ten months ended June 30, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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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 June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the ten months 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, the budgetary comparison information for the general fund, and the Teacher Retirement System pension and OPEB information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining financial statements and the required Texas Education Agency (TEA) schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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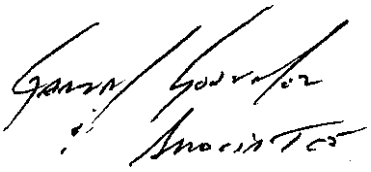
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 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 to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



November 1, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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EDGEWOOD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Edgewood Independent School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Edgewood Independent School District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the District exceeded its liabilities plus deferred inflows of resources at the close of the fiscal year ended June 30, 2019 by $56,201,330 (net position).

- The General Fund balance at June 30, 2019 increased in the current year by $9,810,994 to $50,063,797 primarily due to the District's change to CE (Local) Annual Operating Budget Policy to operate on a fiscal year beginning July 1st and ending June 30th. The financial statements are representative of ten (10) months of operations for this fiscal year. The General Fund consists of the District's Food Service Fund, Energy Management Project Fund and the General Fund. The Food Service Fund has a fund balance of $2,968,938, the Energy Management Project Fund has a fund balance of $178,095 and the General Fund has a fund balance of $46,916,764.

- The financial statements are representative of ten (10) months of operations for this fiscal year therefore, the General Fund expenditures decreased by $26,450,321 to $90,658,268 compared to the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operation in *more detail* than the government-wide statements.

    - The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

    - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*. The District's proprietary type funds include the Self-Insured Worker's Compensation Fund, the Print Shop, and the Health Claims Fund.

    - *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 resources in question belong.

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

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1. Major Features of the District's Government-Wide and Fund Financial Statements

Type of Statements	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District as a whole (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses: self-insurance	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	❖ Statement of Net Position	❖ Balance Sheet	❖ Statement of Net Position	❖ Statement of Fiduciary Net Position
	❖ Statement of Activities	❖ Statement of Revenues, Expenditures & Changes in Fund Balances	❖ Statement of Revenues, Expenses and Changes in Fund Net Position, Statement of Cash Flows	❖ Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset and deferred outflows/liability and deferred inflows information	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, short-term and long-term	Only current assets and current liabilities, and deferred inflows (primarily related to collection of property taxes) that come due during the year or soon thereafter, and exclude capital assets	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term, the Agency funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-Wide Statements

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

The two government-wide statements report the District's *net position* and the changes from the previous year. Net position (the difference between the District's assets, deferred outflows and liabilities and deferred inflows) is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether the District's financial health is improving or deteriorating, respectively.

- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental Activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes, state funding and grants finance most of these activities.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.

- The Board of Managers establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has three 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 program. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.

- *Proprietary funds*—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

    - We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities — such as the District's self-insured Workers' Compensation Fund.

- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that — because of a trust arrangement — can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-1
The District's Net Position

	Governmental Activities			
	June 30, 2019	August 31, 2018	Change	Percent Change
Current and Other Assets	$ 85,432,065	$ 69,119,612	$ 16,312,453	23.6%
Capital and Non-Current Assets	159,665,123	162,015,171	(2,350,048)	-1.5%
Total Assets	245,097,188	231,134,783	13,962,405	6.0%
Deferred Outflows-Resources	26,923,952	10,397,052	16,526,900	159.0%
Current Liabilities	22,040,029	19,493,661	2,546,368	13.1%
Long Term Liabilities	170,902,004	151,534,481	19,367,523	12.8%
Total Liabilities	192,942,033	171,028,142	21,913,891	12.8%
Deferred Inflows-Resources	22,877,777	23,723,671	(845,894)	-3.6%
Net Position:				
Invested in Capital Assets net of related debt	85,186,923	88,157,324	(2,970,401)	-3.4%
Restricted	7,824,695	2,421,332	5,403,363	223.2%
Unrestricted	(36,810,288)	(43,798,634)	6,988,346	-16.0%
Total Net Position	$ 56,201,330	$ 46,780,022	$ 9,421,308	20.1%

Changes in Net Position

The District's total revenues were $127,917,465, an increase of $17,618,120 from prior year. 14.6% of the District's revenues are received from property taxes, 55.5% are State Allocations from state aid, 26.9% from operating grants and contributions, and the remaining 3.0% comes from investment earnings, charges for services and other miscellaneous revenues. The total cost of all programs and services was $118,496,157, an increase of $21,016,937 or approximately 22% from the prior year. The District recognized a decrease to expenses and operating grants and contributions of $18,392,396 due to an accrual of on-behalf related to the IRS Care OPEB plan in fiscal year 2018, which did not recur in 2019.

Table A-2
Changes in Net Position

	Governmental Activities			
	June 30, 2019	August 31, 2018	Change	Percent Change
Revenues:				
Program Revenues				
Charges For Services	$ 1,685,879	$ 1,685,326	$ 553	0%
Operating Grants and Contributions	34,375,345	11,834,777	22,540,568	190%
General Revenues				
Property Taxes	18,624,346	17,179,084	1,445,262	8%
State Aid-Formula	71,032,038	77,925,584	(6,893,546)	-9%
Investment Earnings	1,281,296	1,065,918	215,378	20%
Other	918,561	608,656	309,905	51%
Total Revenues	127,917,465	110,299,345	17,618,120	16%
Expenses:				
Instruction	59,443,683	43,287,823	16,155,860	37%
Instructional Resources & Media Services	1,284,743	1,122,231	162,512	14%
Curriculum and Staff Development	6,896,529	5,466,388	1,430,141	26%
Instructional Leadership	2,727,944	2,110,442	617,502	29%
School Leadership	7,295,499	4,770,735	2,524,764	53%
Guidance, Counseling & Evaluation Services	3,937,339	2,698,812	1,238,527	46%
Social Work Services	1,097,142	875,582	221,560	25%
Health Services	1,197,186	1,002,997	194,189	19%
Student (Pupil) Transportation	2,167,757	1,688,805	478,952	28%
Food Service	6,872,495	8,644,269	(1,771,774)	-20%
Co-curricular/Extracurricular Activities	3,890,246	3,514,922	375,324	11%
General Administration	3,640,915	2,946,582	694,333	24%
Plant Maintenance and Operations	10,586,384	10,475,483	110,901	1%
Security and Monitoring Services	1,863,376	1,502,754	360,622	24%
Data Processing Services	2,337,040	3,473,845	(1,136,805)	-33%
Community Services	852,737	518,665	334,072	64%
Debt Service-Interest on Long Term Debt	2,268,579	2,947,992	(679,413)	-23%
Debt Service-Bond Issuance Cost & Fees	1,970	213,566	(211,596)	-99%
Payments to Fiscal Agent/Member Districts of SSA	32,845	94,709	(61,864)	-65%
Other Intergovernmental Charges	101,748	122,618	(20,870)	-17%
Total Expense	118,496,157	97,479,220	21,016,937	22%
Change in Net Position	9,421,308	12,820,125	(3,398,817)	-27%
Beginning Net Position	46,780,022	114,383,113	(67,603,091)	-59.10%
Prior Period Adjustment	-	(80,423,216)	80,423,216	0%
Ending Net Position	$ 56,201,330	$ 46,780,022	$ 9,421,308	20%

Governmental Activities

- The property tax rate decreased from $1.385178 to $1.377242 to meet the debt service requirements. Despite the tax rate decrease, revenue increased by $1,445,262 primarily due to an increase in property values.
- The net position of the District's governmental activities increased by $9,421,308 for the current fiscal year.
- Funding for governmental activities is by specific program revenue or through general revenues such as property taxes or investment earnings.

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what state revenues as well as local tax dollars funded.

	Cost of Services			
	June 30, 2019		August 31, 2018	
	Total	Net	Total	Net
Instruction	$ 59,443,683	$ 46,202,457	$ 43,287,823	$ 43,160,566
Curriculum and Staff Development	6,896,529	1,657,708	5,466,388	1,609,889
School Leadership	7,295,499	5,993,405	4,770,735	5,212,168
Guidance/Counseling/Evaluation Services	3,937,339	3,509,003	2,698,812	3,357,740
Food Service	6,872,495	39,275	8,644,269	659,687
Extracurricular Activities	3,890,246	3,660,688	3,514,922	3,638,659
General Administration	3,640,915	2,767,926	2,946,582	2,859,449
Facilities Maintenance & Operations	10,586,384	8,894,413	10,475,483	10,385,895
Data Processing Services	2,337,040	2,195,779	3,473,845	3,831,402
Debt Service	2,270,549	2,183,702	3,161,558	2,890,179

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses governmental fund accounting on the modified accrual basis of accounting, as required by State law and other regulations that govern school districts in the State of Texas.

The General Fund is the major operating fund of the District set up to accomplish its educational goals and objectives, including all its support elements: Administration, Food Service, Maintenance, Security, and Transportation. At the end of the current fiscal year, the uncommitted and unassigned fund balance of the General Fund was $44,474,232.

General Fund Budgetary Highlights

The District amended its budget as needed throughout the year. The budget amendments can be characterized into three categories: Category 1 reflects adjustments for carryover appropriations because of commitments made against the budget for goods and services not received or incomplete as of June 30, 2019, Category 2 included an increase in estimated revenues and similar increases in the appropriations and Category 3 included all adjustments authorized by the Board of Managers throughout the year. The variance between the final amended budgeted revenues and actual revenues collected in the General Fund was a $3,143,416 less than anticipated and the variance between the final amended expenditures and actual expenditures was $21,092,963 less than budgeted. Overall the general fund balance increased by $9,810,994.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District, at the end of the fiscal year, had a capital asset valuation of $301,535,094, which represents an increase of $3,043,235 attributed to the change of HVAC units, technology equipment lease and primarily to the energy management projects that are still in construction in progress. For capital asset activity, please refer to Note III (E) of the notes to the basic financial statements on page 42.

Table A-4
District's Capital Assets

	Govenmental Activities			
	June 30, 2019	August 31, 2018	Change	Percent Change
Land and Land Improvements	$ 3,887,442	$ 3,887,442	$ -	0.0%
Buildings and Improvements	261,471,897	261,373,974	97,923	0.0%
Furniture and Equipment	21,945,735	23,543,318	(1,597,583)	-6.8%
Property Under Capital Lease	1,956,228	552,782	1,403,446	253.9%
Construction in Progress	12,273,792	9,134,343	3,139,449	34.4%
Totals at Historical Cost	301,535,094	298,491,859	3,043,235	1.0%
Less Accumulated Depreciation for:				
Buildings and Improvements	(123,827,917)	(117,365,044)	(6,462,873)	5.5%
Furniture and Equipment	(17,601,588)	(19,014,805)	1,413,217	-7.4%
Property Under Capital Lease	(440,466)	(96,839)	(343,627)	354.8%
Total Accumulated Depreciation for:	(141,869,971)	(136,476,688)	(5,393,283)	4.0%
Governmental Activities Capital Assets, net	$ 159,665,123	$ 162,015,171	$ (2,350,048)	-1.5%

Long-Term Debt

At year end the District had $76,353,565 in long-term debt outstanding as shown in table A-5. For detailed information of the District's long-term debt refer to Note III (F) on pages 44 - 48.

Table A-5
District's Long Term Debt

	Governmental Activities			
	June 30, 2019	August 31, 2018	Change	Percent Change
Bonds Payable	$ 58,875,000	$ 61,040,000	$ (2,165,000)	-3.5%
Unamortized Premium	4,201,371	4,454,060	(252,689)	-5.7%
Notes Payable	11,500,000	11,500,000	-	100%
Capital Leases	1,225,811	438,204	787,607	179.7%
Claims Payable	551,383	670,035	(118,652)	-17.7%
Total Long-Term Debt	$ 76,353,565	$ 78,102,299	$ (1,748,734)	-2.2%

The "Claims Payable" amount is a result of the District's outstanding claims from the self-funded workers' compensation fund.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District is governed by a Board that is comprised of elected officials and Texas Education Agency (TEA) appointed members, all with ties to the Edgewood community. In June 2018, the Board approved the appointment of Dr. Eduardo Hernandez who officially started working in July 2018.

One major factor affecting the District is the continual decline in student enrollment. This is key because the state's funding formulas are currently set to fund District's based not only on enrollment but on attendance. Declining enrollment translates to a decrease in much needed funding for the District.

The tax rate adopted for 2019-20 decreased to $1.29827, with the maintenance and operations tax rate decreasing to $1.06835 and the debt service rate increasing to $.22992. The decreases in tax rate were based on legislative action, specifically House Bill 3 that required districts to compress their property taxes and moved to use current year values in order to determine state aid. Despite legislative changes, the Board adopted a balanced budget for the 2019-20 fiscal year. Under the guidance of the Superintendent, District staff continues to work diligently to reduce costs to ensure that we continue to adopt balanced budgets in future years. As such, the District has adopted strategies to reduce the overall expenditures and increase student attendance (and revenue) to address these challenges without disrupting the services that we provide to our students. As we planned for the 2019-20 fiscal year, we will continue to monitor the needs of the students and the District. As part of the process to reduce expenditures, we continue to practice the following strategies:

- Robust processes for the approval of large item purchases.
- Review of current contracted services.
- Refinement of staffing ratios and continued monitoring of positions.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. If anyone has any questions about this report please contact the Office of the Chief Financial Officer, in the Edgewood Independent School District Administrative Office.

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Basic Financial Statements

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Government-Wide Financial Statements

EXHIBIT A-1

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

Data Control Codes		Primary Government Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	$ 67,674,574
1220	Property Taxes - Delinquent	3,892,085
1230	Allowance for Uncollectible Taxes	(379,221)
1240	Due from Other Governments	13,778,654
1267	Due from Fiduciary Funds	31,737
1290	Other Receivables, Net	307,825
1300	Inventories	68,249
1410	Prepayments	58,162
	Capital Assets:	
1510	Land	3,887,442
1520	Buildings, Net	137,643,980
1530	Furniture and Equipment, Net	4,344,147
1550	Leased Property Under Capital Leases, Net	1,515,762
1580	Construction in Progress	12,273,792
1000	Total Assets	245,097,188
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred Charge for Refunding	1,323,984
1705	Deferred Outflow Related to TRS Pension	21,480,480
1706	Deferred Outflow Related to TRS OPEB	4,119,488
1700	Total Deferred Outflows of Resources	26,923,952
LIABILITIES		
2110	Accounts Payable	3,209,266
2140	Interest Payable	958,215
2150	Payroll Deductions and Withholdings	1,632,190
2160	Accrued Wages Payable	8,436,834
2180	Due to Other Governments	5,775,886
2200	Accrued Expenses	241,836
2300	Unearned Revenue	1,785,802
	Noncurrent Liabilities:	
2501	Due Within One Year	5,027,127
2502	Due in More Than One Year	71,326,438
2540	Net Pension Liability (District's Share)	44,093,145
2545	Net OPEB Liability (District's Share)	50,455,294
2000	Total Liabilities	192,942,033
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflow Related to TRS Pension	4,497,321
2606	Deferred Inflow Related to TRS OPEB	18,380,456
2600	Total Deferred Inflows of Resources	22,877,777
NET POSITION		
3200	Net Investment in Capital Assets	85,186,923
3820	Restricted for Federal and State Programs	2,909,267
3850	Restricted for Debt Service	4,868,306
3890	Restricted for Other Purposes	47,122
3900	Unrestricted	(36,810,288)
3000	Total Net Position	$ 56,201,330

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

EXHIBIT B-1

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE TEN MONTHS ENDED JUNE 30, 2019

Data Control Codes		1	Program Revenues 3	Program Revenues 4	Net (Expense) Revenue and Changes in Net Position 6
		Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:					
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 59,443,683	$ 411,666	$ 12,829,560	$ (46,202,457)
12	Instructional Resources and Media Services	1,284,743	-	97,856	(1,186,887)
13	Curriculum and Instructional Staff Development	6,896,529	-	5,238,821	(1,657,708)
21	Instructional Leadership	2,727,944	-	515,092	(2,212,852)
23	School Leadership	7,295,499	-	1,302,094	(5,993,405)
31	Guidance, Counseling and Evaluation Services	3,937,339	-	428,336	(3,509,003)
32	Social Work Services	1,097,142	-	156,148	(940,994)
33	Health Services	1,197,186	-	3,605,897	2,408,711
34	Student (Pupil) Transportation	2,167,757	222,522	233,352	(1,711,883)
35	Food Services	6,872,495	286,958	6,546,262	(39,275)
36	Extracurricular Activities	3,890,246	97,120	132,438	(3,660,688)
41	General Administration	3,640,915	-	872,989	(2,767,926)
51	Facilities Maintenance and Operations	10,586,384	467,343	1,224,628	(8,894,413)
52	Security and Monitoring Services	1,863,376	-	315,711	(1,547,665)
53	Data Processing Services	2,337,040	-	141,261	(2,195,779)
61	Community Services	852,737	200,270	615,208	(37,259)
72	Debt Service - Interest on Long-Term Debt	2,268,579	-	86,847	(2,181,732)
73	Debt Service - Bond Issuance Cost and Fees	1,970	-	-	(1,970)
93	Payments Related to Shared Services Arrangements	32,845	-	32,845	-
99	Other Intergovernmental Charges	101,748	-	-	(101,748)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 118,496,157	$ 1,685,879	$ 34,375,345	(82,434,933)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	15,821,827
DT	Property Taxes, Levied for Debt Service	2,802,519
GC	Grants and Contributions not Restricted	71,032,038
IE	Investment Earnings	1,281,296
MI	Miscellaneous Local and Intermediate Revenue	918,561
TR	Total General Revenues	91,856,241
CN	Change in Net Position	9,421,308
NB	Net Position - Beginning	46,780,022
NE	Net Position--Ending	$ 56,201,330

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

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Governmental Funds Financial Statements

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

Data Control Codes		General Fund	Debt Service Fund	Major Special Revenue Fund
	ASSETS			
1110	Cash and Cash Equivalents	$ 55,291,895	$ 6,700,225	$ -
1220	Property Taxes - Delinquent	3,306,497	585,588	-
1230	Allowance for Uncollectible Taxes	(322,157)	(57,064)	-
1240	Due from Other Governments	6,660,116	-	3,255,037
1260	Due from Other Funds	5,330,475	110,478	-
1290	Other Receivables	307,825	-	-
1300	Inventories	68,249	-	-
1410	Prepayments	58,162	-	-
1000	Total Assets	$ 70,701,062	$ 7,339,227	$ 3,255,037
	LIABILITIES			
2110	Accounts Payable	$ 2,361,450	$ -	$ 741,421
2150	Payroll Deductions and Withholdings Payable	1,632,190	-	-
2160	Accrued Wages Payable	7,550,830	-	245,728
2170	Due to Other Funds	110,478	-	2,242,759
2180	Due to Other Governments	5,334,261	441,625	-
2200	Accrued Expenditures	151,775	-	25,129
2300	Unearned Revenue	1,037,956	636,157	-
2000	Total Liabilities	18,178,940	1,077,782	3,255,037
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	2,458,325	434,924	-
2600	Total Deferred Inflows of Resources	2,458,325	434,924	-
	FUND BALANCES			
	Nonspendable Fund Balance:			
3410	Inventories	68,249	-	-
3430	Prepaid Items	58,162	-	-
	Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	2,903,671	-	-
3480	Retirement of Long-Term Debt	-	5,826,521	-
3490	Other Restricted Fund Balance	-	-	-
	Assigned Fund Balance:			
3590	Other Assigned Fund Balance	2,559,483	-	-
3600	Unassigned Fund Balance	44,474,232	-	-
3000	Total Fund Balances	50,063,797	5,826,521	-
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 70,701,062	$ 7,339,227	$ 3,255,037

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

Other Funds	Total Governmental Funds
$ 164,488	$ 62,156,608
-	3,892,085
-	(379,221)
3,863,501	13,778,654
-	5,440,953
-	307,825
-	68,249
-	58,162
$ 4,027,989	$ 85,323,315
$ 102,473	$ 3,205,344
-	1,632,190
640,276	8,436,834
3,055,901	5,409,138
-	5,775,886
64,932	241,836
111,689	1,785,802
3,975,271	26,487,030
-	2,893,249
-	2,893,249
-	68,249
-	58,162
5,596	2,909,267
-	5,826,521
47,122	47,122
-	2,559,483
-	44,474,232
52,718	55,943,036
$ 4,027,989	$ 85,323,315

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balances - Governmental Funds	$	55,943,036
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		4,973,426
Capital assets used in governmental activities are not financial resources; and, therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $298,419,881 and the accumulated depreciation was ($136,428,594). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period; and, therefore are not reported as liabilities in the funds. At the beginning of the year, bonds payable and other long-term liabilities were ($72,978,204), the unamortized balances of premium and deferred charge for refunding were ($4,454,060) and $1,407,969, respectively, and interest payable was ($118,362); and the net pension liability was ($27,567,629) and the related deferred inflows and outflows of resources were ($4,538,442) and $8,262,430, respectively, and the net OPEB liability was ($45,864,553) and the related deferred inflows and outflows of resources were ($19,185,229) and $726,653, respectively. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to (decrease) net position.		(2,318,140)
Transactions related to current year capital outlay, bonds payable and long-term liabilities, and changes in interest payable are necessary to convert from the modified accrual basis of accoutning to the accrual basis of accounting, as follows: ● Acquisition of capital assets was $5,334,748. ● Disposition of capital assets was ($2,291,513) with $2,269,928 of related accumulated depreciation. ● Capital lease agreement entered into in the current year was ($1,403,446). ● Principal payment of bonds payable was $2,165,000 and on capital leases was $615,839. ● Amortization on premium was $252,689 and deferred charge on refunding was ($83,985). ● Change in interest payable was ($839,853). The net effect is to increase net position.		6,019,407
Transactions in the current year related to the District's net pension liability are as follows: ● Recognize a net (increase) in the District's proportionate share of the net pension liability in the amount of ($16,525,516). ● Recognize a net decrease in deferred inflows of resources in the amount of $41,121. ● Recognize a net increase in deferred outflows of resources in the amount of $13,218,050. The net effect is to (decrease) net position.		(3,266,345)
Transactions in the current year related to the District's net OPEB liability are as follows: ● Recognize a net (increase) in the District's proportionate share of the net pension liability in the amount of ($4,590,741). ● Recognize a net decrease in deferred inflows of resources in the amount of $804,773. ● Recognize a net increase in deferred outflows of resources in the amount of $3,392,835. The net effect is to (decrease) net position.		(393,133)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to (decrease) net position.		(7,650,170)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This includes recognizing unavailable revenue from the current year tax levy in the amount of $915,387 and from prior year tax levy in the amount of $1,977,862. The net effect is to increase net position.		2,893,249
Net Position of Governmental Activities	$	56,201,330

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

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EDGEWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE TEN MONTHS ENDED JUNE 30, 2019

Data Control Codes		General Fund	Debt Service Fund	Major Special Revenue Fund
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 19,269,026	$ 3,003,443	$ -
5800	State Program Revenues	70,113,020	3,975,931	-
5900	Federal Program Revenues	11,061,114	-	7,325,901
5020	Total Revenues	100,443,160	6,979,374	7,325,901
	EXPENDITURES:			
	Current:			
0011	Instruction	43,574,108	-	2,392,224
0012	Instructional Resources and Media Services	994,267	-	2,585
0013	Curriculum and Instructional Staff Development	1,295,644	-	3,946,759
0021	Instructional Leadership	2,234,092	-	250,377
0023	School Leadership	5,890,240	-	81,815
0031	Guidance, Counseling and Evaluation Services	3,527,408	-	31,126
0032	Social Work Services	962,918	-	55,023
0033	Health Services	1,012,547	-	-
0034	Student (Pupil) Transportation	1,942,083	-	-
0035	Food Services	6,097,467	-	-
0036	Extracurricular Activities	2,631,313	-	-
0041	General Administration	3,376,850	-	-
0051	Facilities Maintenance and Operations	9,588,930	-	4,794
0052	Security and Monitoring Services	1,703,753	-	481
0053	Data Processing Services	2,009,342	-	-
0061	Community Services	147,936	-	527,872
	Debt Service:			
0071	Principal on Long-Term Debt	125,685	2,165,000	-
0072	Interest on Long-Term Debt	236,267	1,361,163	-
0073	Bond Issuance Cost and Fees	1,070	900	-
	Capital Outlay:			
0081	Facilities Acquisition and Construction	3,204,600	-	-
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	32,845
0099	Other Intergovernmental Charges	101,748	-	-
6030	Total Expenditures	90,658,268	3,527,063	7,325,901
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	9,784,892	3,452,311	-
	OTHER FINANCING SOURCES (USES):			
7912	Sale of Real and Personal Property	26,102	-	-
7913	Capital Leases	-	-	-
7080	Total Other Financing Sources (Uses)	26,102	-	-
1200	Net Change in Fund Balances	9,810,994	3,452,311	-
0100	Fund Balance - September 1 (Beginning)	40,252,803	2,374,210	-
3000	Fund Balance - June 30 (Ending)	$ 50,063,797	$ 5,826,521	$ -

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

Other Funds	Total Governmental Funds
$ 48,418	$ 22,320,887
576,414	74,665,365
7,799,618	26,186,633
8,424,450	123,172,885
5,619,513	51,585,845
-	996,852
1,108,640	6,351,043
36,681	2,521,150
574,242	6,546,297
38,674	3,597,208
368	1,018,309
71,571	1,084,118
64,798	2,006,881
37,694	6,135,161
9,637	2,640,950
27,313	3,404,163
218,139	9,811,863
13,650	1,717,884
339	2,009,681
80,265	756,073
490,154	2,780,839
-	1,597,430
-	1,970
1,436,218	4,640,818
-	32,845
-	101,748
9,827,896	111,339,128
(1,403,446)	11,833,757
-	26,102
1,403,446	1,403,446
1,403,446	1,429,548
-	13,263,305
52,718	42,679,731
$ 52,718	$ 55,943,036

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE TEN MONTHS ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds	$	13,263,305
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.		1,072,558
Transactions related to current year capital outlay, bonds payable and long-term liabilities, and changes in interest payable are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting, as follows: ● Acquisition of capital assets was $5,334,748. ● Disposition of capital assets was ($2,291,513) with $2,269,928 of related accumulated depreciation. ● Capital lease agreement entered into in the current year was ($1,403,446). ● Principal payment of bonds payable was $2,165,000 and on capital leases was $615,839. ● Amortization on premium was $252,689 and deferred charge on refunding was ($83,985). ● Change in interest payable was ($839,853). The net effect is to increase net position.		6,019,407
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to (decrease) net position.		(7,650,170)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting, as follows: ● Remove tax collections from prior year levies in the amount of ($658,665). ● Recognize unavailable revenue from the current year's tax levy in the amount of $915,387. ● Reduce tax revenue in the amount of $118,964 for the difference between what was estimated in prior year and collected in the current year. The net effect is an increase to the change in net position.		375,686
Various adjustments necessary in the current year to record the District's net pension liability were as follows: ● Contributions made after the measurement date of August 31, 2018 were de-expended and recorded as deferred outflows of resources in the amount of $2,353,711. ● The net effect to deferred inflows and outflows of resources was $10,905,460 including amounts amortized. ● The District's proportionate share of the net pension expenses in the amount of ($16,526,223) and other adjustments in the amount of $707 were recognized to determine the District's net pension liability. ● The net effect is a (decrease) to the change in net position.		(3,266,345)
Various adjustments necessary in the current year to record the District's net OPEB liability were as follows: ● Contributions made after the measurement date of August 31, 2018 were de-expended and recorded as deferred outflows of resources in the amount of $591,043. ● The net effect to deferred inflows and outflows of resources was ($3,606,565) including amounts amortized. ● The District's proportionate share of the net OPEB expenses in the amount of $2,600,018 and other adjustments in the amount of $22,371 were recognized to determine the District's net OPEB liability. ● The net effect is a (decrease) to the change in net position.		(393,133)
Change in Net Position of Governmental Activities	$	9,421,308

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

Proprietary Fund Financial Statements

EXHIBIT D-1

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Governmental Activities - Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 5,517,966
Total Current Assets	5,517,966
Noncurrent Assets:	
Capital Assets:	
Furniture and Equipment	71,978
Depreciation	(61,135)
Total Noncurrent Assets	10,843
Total Assets	5,528,809
LIABILITIES	
Current Liabilities:	
Accounts Payable	3,922
Short Term Debt Payable	220,553
Due to Other Funds	78
Total Current Liabilities	224,553
Noncurrent Liabilities:	
Other Long-Term Debt - Due in More than One Year	330,830
Total Noncurrent Liabilities	330,830
Total Liabilities	555,383
NET POSITION	
Net Investment in Capital Assets	10,843
Unrestricted Net Position	4,962,583
Total Net Position	$ 4,973,426

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

EXHIBIT D-2

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE TEN MONTHS ENDED JUNE 30, 2019

	Governmental Activities - Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	$ 1,761,287
Total Operating Revenues	1,761,287
OPERATING EXPENSES:	
Payroll Costs	102,297
Professional and Contracted Services	489,575
Supplies and Materials	22,729
Other Operating Costs	92,585
Depreciation Expense	13,042
Total Operating Expenses	720,228
Operating Income	1,041,059
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	31,499
Total Nonoperating Revenues (Expenses)	31,499
Change in Net Position	1,072,558
Total Net Position - September 1 (Beginning)	3,900,868
Total Net Position - June 30 (Ending)	$ 4,973,426

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

EXHIBIT D-3

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE TEN MONTHS ENDED JUNE 30, 2019

	Governmental Activities - Total Internal Service Funds
Cash Flows from Operating Activities:	
Cash Received from User Charges	$ 116,647
Cash Received from Assessments - Other Funds	1,644,640
Cash Payments to Employees for Services	(103,949)
Cash Payments for Insurance Claims	(677,279)
Cash Payments for Suppliers	(60,083)
Net Cash Provided by Operating Activities	919,976
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	31,499
Net Increase in Cash and Cash Equivalents	951,475
Cash and Cash Equivalents at Beginning of the Period	4,566,491
Cash and Cash Equivalents at End of the Period	$ 5,517,966
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income:	$ 1,041,059
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	13,042
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	(6,038)
Increase (decrease) in Accrued Wages Payable	(1,652)
Increase (decrease) in Interfund Charges	(7,783)
Increase (decrease) in Claims Payable	(118,652)
Net Cash Provided by Operating Activities	$ 919,976

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

Fiduciary Funds Financial Statements

EXHIBIT E-1

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ 251,685	$ 495,557
Other Receivables	-	15,236
Total Assets	251,685	$ 510,793
LIABILITIES		
Due to Other Funds	-	$ 31,737
Due to Other Governments	-	115,894
Due to Student Groups	-	363,162
Total Liabilities	-	$ 510,793
NET POSITION		
Unrestricted Net Position	251,685	
Total Net Position	$ 251,685	

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

EXHIBIT E-2

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE TEN MONTHS ENDED JUNE 30, 2019

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	$ 32,500
Total Additions	32,500
DEDUCTIONS:	
Other Operating Costs	40,330
Total Deductions	40,330
Change in Net Position	(7,830)
Total Net Position - September 1 (Beginning)	259,515
Total Net Position - June 30 (Ending)	$ 251,685

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Edgewood 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 five-member School Board of Managers (the "Board of Managers") appointed by the Texas Education Agency (TEA) in May, 2016. Since 2016 when the Board of Managers were appointed, TEA has allowed publicly elected Board members to jointly govern the District with the remaining Board of Managers for the fiscal year ended June 30, 2019. Collectively, the seven-member board is now considered the School Board (the "Board"). The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in GASB Statement No. 76 *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*. Additionally, the District complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide"), and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board has the authority to make decisions, appoint administrators and managers, significantly influence operations; and, has primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the GASB in its Statement No. 14, *"The Financial Reporting Entity"* and as amended in GASB Statement No. 61, *"The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34,"* and accordingly, is not included in any other governmental reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on the primary government (the District) on the accrual basis of accounting. These statements include all of the District's nonfiduciary financial activities. *Governmental activities* include programs supported primarily by property taxes, State foundation funds, state and federal grants and other intergovernmental revenues.

The net position of the District is segregated into: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. *Direct expenses* are those that are clearly identifiable to a specific function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. *Program revenues* include charges for services that are payments made by the recipients of goods or services offered by the programs; and, operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including property taxes, are presented as *general revenues*, which are used to support all the District's functions.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund activities between governmental funds are reflected as due to/due from other funds in the Governmental Funds Balance Sheet and the Proprietary Funds Statement of Net Position; and, as transfers in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position. All interfund transactions between governmental funds and internal service funds are eliminated in the government-wide financial statements. The net excess cost by function is normally covered by general revenues. Any interfund activities between governmental funds and fiduciary funds remain as due to/due from in the government-wide Statement of Net Position.

The fund financial statements report the financial condition and results of operations for its fund categories – governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives or gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements. With the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with the operations of these funds are included in the Statement of Net Position. With the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable and expenses in the period in which they are incurred and become measurable regardless of the timing of the related cash flows. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which they are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. The fiduciary fund financial statements are prepared on the accrual basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. The modified accrual basis of accounting recognizes revenues in the accounting period in which they are both measurable and available. The District considers all revenues available if they are collected within 60 days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant Fund revenues are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. Funds expended but not yet received are shown as receivables. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

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

Other Post-Employment Benefits (OPEB): The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, 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.

D. FUND ACCOUNTING

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues, and expenditures or expenses. The District reports the following major governmental funds:

General Fund – This is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Any fund balances are considered resources available for current operations. Major revenue sources include local property taxes, State funding under the Foundation School Program, the National School Lunch and Breakfast Programs and investment earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the Federal or State government, debt service, and capital projects.

Debt Service Funds – These funds account for resources accumulated and payments made for principal and interest payments of long-term general obligation debt of governmental funds.

Title I Special Revenue Fund – This fund is used to account for the specific purpose of the Every Student Succeeds Act (ESSA) Title I program. A federal grant program passed through the Texas Education Agency (TEA).

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the District reports the following fund types:

Governmental Funds:

Special Revenue Funds – These funds account for the resources entitled to, or designated for, specific purposes by the District or a grantor. Most Federal and some State financial assistance are accounted for in Special Revenue Funds, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Capital Projects Funds – Accounts for the proceeds from long-term debt financing to be used for authorized expenditures related to major capital acquisitions or construction activities.

Proprietary Fund:

Internal Service Funds – These funds are used to account for the District's Self-Funded Health Claims Program, the Self-Funded Workers' Compensation Program, and the Print Shop. Financing is provided by charges to and contributions from the District's General and Special Revenue Funds.

Fiduciary Funds:

Private-Purpose Trust Fund – This fund accounts for scholarship resources held in trust for others where the principal and interest benefit the District or its students and former students.

Agency Fund – This fund accounts for resources held for others in a custodial capacity by the District, and consists of student activity funds that are the property of the various student clubs and associations.

E. OTHER ACCOUNTING POLICIES

1. Cash and Cash Equivalents – Cash and cash equivalents include cash and highly liquid investments such as local government investment pools.

2. Inventory – Inventories of supplies and materials are accounted for under the consumption method. This method recognizes supplies and material expenditures at the time they are requisitioned from the District's warehouse. Inventories available at the balance sheet date are recorded at cost while inventories of food commodities are recorded at market values supplied by the USDA and are offset with unearned revenues. When requisitioned, inventory and unearned revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount. Cost is determined principally by the weighted average cost method.

3. Prepayments – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments in both the government-wide and fund financial statements. The prepayment is relieved using the consumption method.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Long-term Debt – In the government-wide financial statements, long-term debt is reported as liabilities in the Statement of Net Position. The District records bond premiums and discounts as deferred costs and amortizes them over the life of the bonds using the effective interest method if material or straight-line when not material. Bonds payable are reported net of the applicable bond premiums and discounts. Loss on debt refunding is reported as a deferred outflow of resources in the Statement of Net Position in accordance with generally accepted accounting principles. Deferred charges for refunding are amortized over the life of the related bond using the straight-line basis.

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

   GASB Statement No. 68, as amended and clarified by GASB Statement No. 71 requires state and local government agencies to display the actuarially determined net pension liability in its financial statements. The required disclosures for the pension plan in accordance with GASB Statement No. 68 are included in Section III, Note L.

   GASB Statement No. 75 requires state and local government agencies to report the actuarially determined net other postemployment benefit (OPEB) liability in its financial statements. The disclosures for the OPEB plan required in accordance with GASB Statement No. 75 are included in Section III, Note M.

5. Investments – The District reports investments in accordance with GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools"*. Under the provisions of GASB Statement No. 31, "governmental entities, including governmental external investment pools should report investments at fair value in the balance sheet". Investment income includes unrealized gains and losses (representing the change in fair value) and is reported as revenues in the operating statement. Under the provisions of GASB No. 31, investments may be reported at amortized cost if the remaining maturity at time of purchase is one year or less, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Accordingly, the District's investments in money markets and local government investment pools are reported at amortized cost and do not include any unrealized gains and losses.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Compensated Absences – The District adopts the State of Texas minimum personal leave program which consists of five days per year of personal leave with no limit in accumulation and no restrictions on transferability among school districts for District employees. The District provides an additional five days of local personal leave per year not to exceed a cumulative amount of 30 days. Since the District is unable to estimate how much leave will be used, no liability has been recorded in the financial statements.

7. Capital Assets – Capital assets, which include land, construction in progress, buildings and improvements, equipment, and property under capital lease are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of five years. Such assets, except for E-Rate acquisitions, are recorded at historical cost or estimated historical cost if purchased or constructed. E-Rate acquisitions are recorded at discounted cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

   The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are performed.

   Buildings, building improvements, and equipment of the District are depreciated and property under capital lease is amortized using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	40 years
Building Improvements	20 – 30 years
Furniture & Equipment/Property Under Capital Lease	5 – 20 years

8. Encumbrances – Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30 (fiscal year end), and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

9. Restricted Funds – Bond proceeds not spent are restricted for the intended purpose of the bonds such as construction, technology improvements, or equipment purchases. Similarly, grant fund and/or program income are restricted for the intended purpose of the grant.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Operating and Non-Operating Revenue – Operating revenues reported in the Internal Service Funds consist of fees charged to other funds to finance the operations of the District's Health Claims Self-Insurance Program, Worker's Compensation Self-Insurance Program and the Print Shop. Non-operating revenues consist of revenues not directly related to the principal operations of the funds.

11. Arbitrage Payable – The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. The District's consultant calculates and reports the arbitrage payable to the District. The District has not recognized an estimated arbitrage liability at June 30, 2019.

12. Fund Balance – In accordance with GASB Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions,"* the District reports the following fund balance classifications according to their GASB 54 definitions:

    Nonspendable – amounts not available for appropriation or legally earmarked for a specific use, such as, fund balance associated with inventories, prepayments and deferred expenditures.

    Restricted – amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

    Committed – amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority (the School Board).

    Assigned – used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

    Unassigned – residual classification for the government's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, this classification is used only to report a deficit balance resulting from over spending for specific purposes for which amounts had been restricted, committed, or assigned.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All commitments are to be approved by formal action by the Board prior to fiscal year-end, even though the amount may be determined subsequent to fiscal year-end. A commitment can only be modified or removed by the same formal action. When it is appropriate for fund balance to be assigned, the Board delegates the responsibility to assign funds to the Superintendent. Assignments may occur subsequent to fiscal year-end.

The assigned fund balance in the general fund represents proceeds from a legal settlement to be used to remediate the Roosevelt and Las Palmas Elementary School campuses.

13. Spending Order – Fund balance amounts that are restricted, committed, or assigned are considered to have been spent when expenditures have been incurred for the respective purpose. If an expenditure meets the criteria in more than one fund balance category, the District's policy is to relieve fund balance first from restricted, followed by committed, assigned, and unassigned.

14. Restricted/Unrestricted Resources – Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, both restricted and unrestricted resources may be available to finance the program. When the District has both restricted and unrestricted resources available to fund expenditures, the District intends to first apply cost reimbursement grant and categorical block grant (restricted) resources to such programs and then general revenue (unrestricted) resources.

15. Statement of Cash Flows – For purposes of the statement of cash flows, the Internal Service Funds considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents.

16. Data Control Codes – The data control codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Resource Guide. TEA requires school districts to display these codes in the financial statements in order to ensure accuracy in building a statewide database for policy development and funding plans.

17. Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

18. Indirect Expenses – School districts are required to report all expenses by function, except certain indirect expenses. Indirect expenses for the District are reported as separate functions, i.e. general administration and data processing services (data control codes 41 and 53, respectively) and are not allocated to other functions.

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II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board adopts an "appropriated budget" on a basis consistent with GAAP for the General Fund, Debt Service Fund and the Child Nutrition Program (which is included in the General Fund). The budget for the Debt Service Fund is adopted by the fund type as a whole rather than for each individual debt service fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The budgets are prepared using the modified accrual basis of accounting.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- Prior to June 20th, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.

- A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days but not more than thirty days public notice of the meeting is required.

- Prior to July 1st, the budget is legally enacted through passage of a resolution by the Board.

  Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board; each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end.

  Each budget is controlled by the Superintendent at the revenue and expenditure functional and object level. Budgeted amounts are amended by the Board. All budget appropriations lapse at year end.

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III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Cash and cash equivalents of $67,674,575 are comprised of the following:

	Governmental Funds					
	Major Funds					
	General Fund	Debt Service Fund	Other Funds	Total	Proprietary Funds	Grand Total
Cash and Cash Equivalents:						
Demand Accounts	$ (5,085,924)	$ 52,837	$ 164,488	$ (4,868,599)	$ 5,517,966	$ 649,367
Cash on Hand	1,500	-	-	1,500	-	1,500
Investment Pools	60,376,319	6,647,388	-	67,023,707	-	67,023,707
Total	$ 55,291,895	$ 6,700,225	$ 164,488	$ 62,156,608	$ 5,517,966	$ 67,674,574

Deposits

The District's funds are required to be deposited under the terms of a depository contract or invested under the terms of the Public Funds Investment Act (PFIA). The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis. The pledge of approved securities is waived only to the extent of the depository bank's Federal Deposit Insurance Corporation (FDIC) coverage. Deposits were held with the contracted depository bank in demand and in interest bearing accounts. Deposits were secured at the balance sheet date by FDIC coverage and pledged U.S. Government securities held by the Bank of New York Mellon in the District's name. Funds were properly secured at all times during the year.

The following is disclosed regarding coverage of combined balances on the date of highest deposit:

a. Name of Contracted Depository Bank: Wells Fargo Bank

b. The highest combined balances of cash, savings, and time deposit accounts at the Wells Fargo Bank was $8,948,008 and occurred during February 2019.

c. Total amount of FDIC coverage at the time of largest combined balance was $250,000.

d. The amount of securities pledged as of the date of the highest combined balance on deposit was $17,221,410.

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III. DETAILED NOTES ON ALL FUNDS (Continued)

At June 30, 2019, the net carrying amount of the District's deposits was $649,367 and the bank balance was $980,149. The District's cash deposits at June 30, 2019 and during the year then ended were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The fiduciary funds report the following balances as of June 30, 2019:

	Fiduciary Funds		
	Fiduciary Funds	Agency Funds	
	Private Purpose Trust	Student Activity Funds	Total
Cash and Cash Equivalents:			
Demand Accounts	$ 230,988	$ (194,469)	$ 36,519
Investment Pools	20,697	690,026	710,723
Total	$ 251,685	$ 495,557	$ 747,242

Investments

The Public Funds Investment Act (PFIA), Texas Government Code Chapter 2256 contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. The policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date of the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Temporary investments consist of funds invested in local government investment pools as described below. The investment pools used by the District are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the PFIA. The investment pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investments.

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III. DETAILED NOTES ON ALL FUNDS (Continued)

The District's investments in investment pools, which are exempt from regulation by the Securities and Exchange Commission (SEC), have as one of their objectives the maintenance of a stable net asset value of $1.00. The book value of the position in the pools is the same as the number of shares in each pool; and the market value of a share should approximately equal the book value of a share.

GASB Statement No. 31 provides an exception to the fair value reporting for investments in external pools that operate as "2a7-like" pools. The exception applies to portfolio securities held by external investment pools and allows the use of amortized cost rather than fair value to report net assets and compute share prices.

The District's investments in public funds investment pools include those with the Lone Star Investment Pool (Lone Star) and the Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS). The pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the fair value of the District's position in the pool is the same as the value of pool shares and does not include any unrealized gains and losses.

Lone Star is administered and distributed by the Texas Association of School Boards wholly owned subsidiary, First Public. First Public is a registered broker-dealer with the SEC, the Financial Industry Regulatory Authority, and the Municipal Securities Rule Making Board.

Lone Star is governed by an eleven-member Board of Trustees (Board) made up of active participants in the pool. The Board has the responsibility of adopting and monitoring compliance with the investment policy, appointing investment officers, overseeing the selection of an investment advisor, custodian, investment consultant, administrator, and other service providers. The Board is also responsible for the monitoring performance of Lone Star. Each Lone Star fund has earned Standard & Poor's highest rating (AAA), which meets the standards set by the PFIA. Standard and Poor's reviews investments of the Exchange Corporate and Liquidity Plus Fund monthly. Financial information for Lone Star can be obtained by writing 12007 Research Blvd., Austin, TX 78759 or by calling 1-800-558-8875.

The Texas CLASS is organized under the authority of the Public Funds Investment Act, Chapter 2256, Texas Government Code. The Texas CLASS is governed by a seven-member Board of Trustees (Board). The Board of Trustees has appointed a five-member Advisory Board to advise the trust about Investment Policy, the Investment Strategy of the Trust, and other matters. The Texas CLASS is rated AAAm by Standard & Poor's. Financial information for the Texas CLASS can be accessed on the Internet (https://www.texasclass.com).

Interest Rate Risk — Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the District's policy, one of the ways the District manages its exposure to interest rate risk is by investing in investment pools which have no stated maturity date; therefore, the funds are always available to meet operational needs. Information about the District's investments is presented in the table below that shows the specific investments and their maturity as of June 30, 2019.

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Credit Risk — Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required (where applicable) by the District's investment policy and the Act and the actual rating as of June 30, 2019 for each investment.

As of June 30, 2019, the District had the following investments:

Investment	Fair Value	Weighted Average Maturity (Days)	* Standard & Poor's Rating
The Lone Star Pool	$ 49,733,400	1	AAA
Texas CLASS	18,001,030	1	AAAm
Total	$ 67,734,430		

* Minimum Legal Rating Requirement is AAA
$710,722 of the investments are held in the District's fiduciary funds.

Custodial Credit Risk — Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Act, the District's investment policy, and Government Code Chapter 2257, *Collateral for Public Funds,* contain legal or policy requirements that would limit the exposure to custodial risk for deposits or investments. To be eligible to receive funds from and invest funds on behalf of an entity under this Chapter, a public funds investment pool created to function as a money market mutual fund must mark its portfolio to market daily and, to the extent reasonably possible, stabilize at a $1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005.

GASB Statement No. 72 – GASB Statement No. 72, *Fair Value Measurement and Application* requires that governments disclose information about fair value measurements, the level of fair value hierarchy, and valuation techniques for investments held by the government. GASB Statement No. 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs.

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Because the District's investments are restricted by policy and State law to active secondary markets, the market approach is used for valuation. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

As of June 30, 2019, the District's investments are reported at amortized cost in accordance with GASB Statement No. 31 and GASB Statement No. 72.

B. PROPERTY TAXES

Property taxes are levied by October 1st on the assessed value listed as of the prior January 1st for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1st of each year following the year in which imposed. On January 31st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Board set maintenance and debt service tax rates of $1.17 and $0.2072, respectively, per $100 of assessed valuation. The Bexar County Tax Assessor's Office bills and collects the taxes for the District. The assessed values are established by the Bexar County Appraisal District.

Property taxes are measurable when levied and are considered available to be recorded as revenue if collectible within the current period or soon enough thereafter (within 60 days). The delinquent taxes collected in July and August 2019 net of refunds have been accrued consistent with the modified accrual basis of accounting. Property taxes receivable less the provision for uncollectible taxes are recorded as deferred inflows of resources unavailable revenue – property taxes.

Current tax collections for the 10 months ended June 30, 2019 were 90% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Since the District is prohibited from writing off real property taxes receivable without specific statutory authority from the Texas Legislature, the District makes no provision for uncollectible real property taxes. The allowance for uncollectible taxes represents an estimate by the District of those personal property taxes receivable which will be written off as uncollectible in the future.

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. RECEIVABLES FROM OTHER GOVERNMENTS

The District participates in a variety of local, state, and federal programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation Program, the Per Capita Program, the Instructional Facilities Allotment (IFA), and the Existing Debt Allotment (EDA) Program. Amounts due from state and federal governments as of June 30, 2019 are summarized below.

	General Fund	Major Fund Title I	Other Funds	Total
State Entitlements and Grants	$ 6,509,551	$ -	$ 536,655	$ 7,046,206
Federal Grants	96,055	3,255,037	3,326,846	6,677,938
Local Governments	54,510	-	-	54,510
Total	$ 6,660,116	$ 3,255,037	$ 3,863,501	$ 13,778,654

D. DUE TO/FROM OTHER FUNDS

Interfund balances at June 30, 2019 consisted of the following:

	Receivable	Payable
General Fund:		
Debt Service	$ -	$ 110,478
Title I	2,242,759	-
Other Funds	3,055,901	-
Internal Service Funds	78	-
Fiduciary Funds	31,737	-
	5,330,475	110,478
Debt Service Fund:		
General Fund	110,478	-
Title I Major Fund:		
General Fund		2,242,759
Other Funds:		
General Fund	-	3,055,901
Total Governmental Funds	5,440,953	5,409,138
Internal Service Funds:		
General Fund	-	78
Total Internal Service Funds	-	78
Fiduciary Funds:		
General Fund	-	31,737
Total Fiduciary Funds	-	31,737
Total	$ 5,440,953	$ 5,440,953

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

The receivables recorded in the General Fund represent loans to other funds to cover expenditures, which have not yet been reimbursed by various local, state, and federal grants, and to cover other expenditures for the Internal Service and Student Activity Funds. The receivable balances of the Debt Service Fund represent borrowing between funds expected to be liquidated through normal operations.

E. CAPITAL ASSETS

Capital asset activity for the ten months ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Disposals	Transfer	Ending Balance
Governmental Activities:					
Capital Assets Not Being Depreciated:					
Land and Land improvements	$ 3,887,442	$ -	$ -	$ -	$ 3,887,442
Construction in Progress	9,134,343	3,149,049	-	(9,600)	12,273,792
Total Capital Assets Not Being Depreciated	13,021,785	3,149,049	-	(9,600)	16,161,234
Capital Assets Being Depreciated:					
Buildings and Improvements	261,373,974	88,323	-	9,600	261,471,897
Furniture and Equipment	23,543,318	693,930	(2,291,513)	-	21,945,735
Property Under Capital Lease	552,782	1,403,446	-	-	1,956,228
Total Capital Assets Being Depreciated	285,470,074	2,185,699	(2,291,513)	9,600	285,373,860
Less Accumulated Depreciation for:					
Buildings and Improvements	(117,365,044)	(6,462,873)	-	-	(123,827,917)
Furniture and Equipment	(19,014,805)	(856,711)	2,269,928	-	(17,601,588)
Property Under Capital Lease	(96,839)	(343,627)	-	-	(440,466)
Total Accumulated Depreciation	(136,476,688)	(7,663,212)	2,269,928	-	(141,869,971)
Total Capital Assets Being Depreciated, Net	148,993,386	(5,477,512)	(21,585)	9,600	143,503,889
Governmental Activities Capital Assets, Net	$ 162,015,171	$ (2,328,463)	$ (21,585)	$ -	$ 159,665,123

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction	$	3,993,210
Instructional Resources		217,792
Curriculum & Instructional Staff Development		3,864
Instructional Leadership		5,670
School Leadership		196,924
Guidance, Counseling & Evaluation Services		47,934
Social Work Services		1,173
Health Services		28,981
Student Transportation		343,974
Food Service		652,541
Extracurricular Activities		1,195,597
General Administrative		812
Plant & Operations Facilities		626,546
Security & Monitoring Services		28,764
Data Processing		283,241
Community Service		36,189
Total Depreciation Expense – Governmental Activities	$	7,663,212

F. LONG-TERM LIABILITIES

General Obligation Bonds – The District issues general obligation bonds for the governmental activities to provide funds for the acquisition, construction and equipping of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Current principal and interest requirements are payable from future revenues of the Debt Service Fund which consists principally of property taxes collected by the District, interest earnings, and State funds.

The State of Texas enacted in 1997 and in 1999 the Instructional Facilities Allotment (IFA) and the Existing Debt Allotment (EDA) Programs, whereby the District received State funds of $3,975,931 in the current year for the annual debt service requirements of its general obligation debt. Although future funding is subject to future State legislative appropriations, the State guarantees IFA state aid for the life of the District's eligible debt as well as for the EDA programs which will become part of the baseline budget for TEA. However, in the event that the legislature does not appropriate adequate funds for the IFA and EDA programs, the statute directs the Texas Commissioner of Education to make a transfer from the School Foundation Program (SFP) in an amount sufficient to cover the required payments of the State. This transfer is required by statute and is not subject to the discretion of the Texas Commissioner of Education. This transfer would have the effect of slightly reducing the SFP distribution to all school districts in the state during the fiscal year in which the transfer takes place.

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Refunding Bonds – In previous years, the District issued refunding bonds to legally defease certain outstanding general obligation bonds. The net proceeds were deposited in an irrevocable trust account to provide future debt service payments on the refunded obligations. The refunded obligations represent a legal defeasance and are no longer a liability of the District; therefore, they are not included in the District's financial statements. At June 30, 2019, there were no defeased bonds outstanding.

The District has not defaulted on any principal or interest payments. There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2019.

A summary of changes in bonds payable for the ten months ended June 30, 2019 is as follows:

Description	Original Balance	Int. Rates	Final Maturity	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Bonds Payable								
Unlimited Tax School Building Bonds - Series 2009	1,035,000	4.95%	2024	505,000	-	(75,000)	430,000	80,000
Unlimited Tax Refunding Bonds - Series 2011	29,880,000	2.00-5.00%	2031	26,890,000	-	-	26,890,000	1,850,000
Unlimited Tax Refunding Bonds - Series 2013	39,845,000	2.00-5.00%	2034	31,085,000	-	(1,470,000)	29,615,000	1,380,000
Unlimited Tax Refunding Bonds- Series 2014	6,695,000	2.00%-5.00%	2023	2,560,000	-	(620,000)	1,940,000	650,000
Total Bonds Payable				$ 61,040,000	$ -	$ (2,165,000)	$ 58,875,000	$ 3,960,000

All payments on the long-term liabilities are made by the General Fund, except for the bonds payable, which are being repaid directly from the Debt Service Fund. Claims liability will be liquidated through the District's Self-Insurance Internal Service Fund. The Self-Insurance Fund will finance the payment of those claims by charging the other funds based on management's assessment of the relative insurance risk that should be assumed by individual funds.

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

The annual debt service requirements for the general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	3,960,000	2,594,874	6,554,874
2021	4,095,000	2,455,776	6,550,776
2022	3,860,000	2,291,866	6,151,866
2023	4,035,000	2,122,959	6,157,959
2024	3,540,000	1,944,478	5,484,478
2025-2029	19,785,000	7,129,069	26,914,069
2030-2034	19,600,000	2,171,792	21,771,792
	$ 58,875,000	$ 20,710,814	$ 79,585,814

Long Term Notes Payable

Maintenance Tax Notes

On November 28, 2017, the District issued $11,500,000 Limited Maintenance Tax Qualified Energy Conservation Notes, Taxable Series 2017 (the Notes). The Notes were issued pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108 of the Texas Education Code, as amended, and the resolution adopted by the School Board of the District on, the date of sale of the Notes. The Notes are considered direct obligations of the District, payable from available funds of the District, including but not limited to the ad valorem taxes levied by the District for maintenance purposes, within the limitations of the District's maintenance tax authority.

The Notes have been designated as "qualified energy conservation bonds" (QECN) pursuant to Section 54D(a)(3) of the Internal Revenue Code of 1986, as amended. The Notes will be "qualified tax credit bonds" under Section 54A of the Code. The District has made an irrevocable election to treat the Notes as "specified tax credit bonds" pursuant to Section 6431(f)(3)(B) of the Code; as a result the District is eligible to receive a direct subsidy from the United States Department of the Treasury in an amount equal to the lesser of (1) 100% of the interest payable on the interest payment date or (2) 70% of the amount of interest which would have been payable under such Note if interest were determined at the applicable interest rate posted by the United States Department of the Treasury, Bureau of the Fiscal Service effective for the date of sale of the Notes. The applicable interest rate under (2) is posted at the Treasury Direct internet site https://www.treasurydirect.gov/GA-SL/SLGS/selectQTCDate.htm. The subsidy is subject to reduction due to sequestration. The Subsidy Payments will be deposited directly on the District's behalf to the "Debt Subsidy Subaccount" and used to pay debt service. As a result of the District's designations and elections entitling it to the receipt of the Subsidy Payments, no owner of the Notes will be entitled to a tax credit as a result of its ownership of a Note.

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

The proceeds from the sale of the Notes will be used for the purpose of paying lawful maintenance expenses of the District, including the repair, rehabilitation, renovation, replacement, equipping and construction of various existing school facilities, including but not limited to, heating and air conditioning system improvements, and to pay costs of issuance.

The schedule of changes in the maintenance tax notes is as follows:

Description	Interest Rate Payable	Final Maturity	Amount Original Issue	Amount Outstanding 09/01/18	Additions	Retired	Amount Outstanding 06/30/19	Due Within One Year
Limited Maintenance Tax Qualified Energy QECN, Series 2017	3.762%	2032	$ 11,500,000	$ 11,500,000	$ -	$ -	$ 11,500,000	$ -

The District makes annual payments to the escrow agent into a cumulative sinking fund until maturity. The required deposits/interest payments for the maintenance tax notes are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ -	$ 432,630	$ 432,630
2021	-	432,630	432,630
2022	960,000	432,630	1,392,630
2023	960,000	432,630	1,392,630
2024	960,000	432,630	1,392,630
2025-2029	4,800,000	2,163,150	6,963,150
2030-2033	3,820,000	1,514,205	5,334,205
Total	$ 11,500,000	$ 5,840,505	$ 17,340,505

The escrow agent will make the principal payment of $11,500,000 when due on August 15, 2032 (fiscal year 2033).

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Leases Payable

Master Lease/Purchase Agreements

On September 01, 2018, the District entered into a master lease/purchase agreement (the lease in the amount of $1,403,446 with 4.85% incurred interest with Dell Financial Services, LLC (lessor) for the lease of information technology equipment. The agreement meets the definition of a capital lease for accounting purposes and is recorded at the present value of the future minimum lease payments at the date of inception. The agreement is payable over 3 years with annual payments of $490,154 with a final maturity date of September 2020. The District acquired equipment totaling $1,403,446, and since ownership of the equipment transfers to the District at the end of the lease term, it is included in capital assets in the amount of $1,403,446 as property under capital lease. The related amortization is included in accumulated depreciation/amortization in the amount of $194,923 in property under capital lease.

On August 05, 2018, the District entered into a master lease/purchase agreement (the lease) in the amount of $286,108 with 4.438% incurred interest with CTWP Digital Solutions for the lease of information technology equipment. The lease meets the definition of a capital lease for accounting purposes and is recorded at the present value of the future minimum lease payments of $286,108 at the date of inception. The agreement is payable from the District's General Fund over 3 years with monthly payments of $8,503. The final maturity date is July 30, 2021. Ownership of the equipment transfers to the District at the end of the lease term; therefore, it is included in capital assets in the amount of $286,108 as property under capital lease. At June 30, 2019 the related amortization is included as accumulated depreciation/amortization in the amount of $95,369 in property under capital lease.

On December 1, 2016, the District entered into two master lease/purchase agreement (agreement) in the amount of $158,263 and $108,411 totaling $266,674 with 6.83% incurred interest with Dell Financial Services, LLC (lessor) for the lease of information technology equipment. The agreement meets the definition of a capital lease for accounting purposes and is recorded at the present value of the future minimum lease payments at the date of inception. The agreement is payable from the District's General Fund over 5 years with annual payments of $35,969 and $24,638 with final maturity date of December 2020. The District acquired equipment totaling $266,674, and since ownership of the equipment transfers to the District at the end of the lease term, it is included in capital assets in the amount of $266,674 as property under capital lease. The related amortization is included in accumulated depreciation/amortization in the amount of $53,335 in property under capital lease.

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

The schedule of changes for the master lease/purchase agreements are as follows:

Description	Purpose	Interest Rate Payable	Final Maturity	Amount Original Issue	Amount Outstanding 9/1/2018	Additions	Retired	Amount Outstanding 6/30/2019	Due Within One Year
Dell Financial Services LLC	IT Equip.	4.85%	2021	$ 1,403,446	$ -	$ 1,403,446	$ (490,154)	$ 913,292	$ 445,827
Dell Financial Services LLC	IT Equip.	6.83%	2021	266,674	159,540	-	(49,706)	109,834	53,102
CTWP	IT Equip.	4.44%	2022	286,108	278,664	-	(75,979)	202,685	94,956
Total Capital Leases Payable					$ 438,204	$ 1,403,446	$ (615,839)	$ 1,225,811	$ 593,885

The following is a schedule of the future minimum lease payments for the master lease/purchase agreements together with the present value of the net minimum lease payments at June 30, 2019.

Year Ending June 30,	Amount
2020	$ 652,797
2021	652,797
2022	8,505
Total Minimum Lease Payments	1,314,099
Less: Amount Representing Interest	(88,288)
Present Value of Future Minimum Lease Payments	$ 1,225,811

Changes in Long-Term Liabilities

Long-term liability activity for the ten months ended June 30, 2019, was as follows:

Governmental Activities:	Amount Outstanding 9/1/2018	Additions	Reductions	Amount Outstanding 6/30/2019	Due Within One Year
Bonds Payable	$ 61,040,000	$ -	$ (2,165,000)	$ 58,875,000	$ 3,960,000
Unamortized Premiums	4,454,060	-	(252,689)	4,201,371	252,689
Notes Payable	11,500,000	-	-	11,500,000	-
Capital Leases	438,204	1,403,446	(615,839)	1,225,811	593,885
Total	77,432,264	1,403,446	(3,033,528)	75,802,182	4,806,574
Other Liabilities:					
Worker's Compensation	670,035	468,591	(587,243)	551,383	220,553
Total Other Liabilities:	670,035	468,591	(587,243)	551,383	220,553
Total Governmental Activities Long-term Liabilities	$ 78,102,299	$ 1,872,037	$ (3,620,771)	$ 76,353,565	$ 5,027,127

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. UNEARNED REVENUES AND DEFERRED INFLOWS

Unearned revenues as of June 30, 2019 consisted of the following:

	Major Funds			
	General Fund	Debt Service Fund	Other Funds	Total
Grant Funds Received But Not Expended	$ 1,037,956	$ 636,157	$ 111,689	$ 1,785,802

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with revenues that have been received, but not yet earned.

At June 30, 2019, unavailable revenues reported as deferred inflows of resources in the governmental funds were as follows:

	Major Funds		
	General Fund	Debt Service Fund	Total Governmental Funds
Unavailable Revenue – Property Taxes	$ 2,458,325	$ 434,924	$ 2,893,249

The unavailable revenue of $2,893,249 relates to uncollected property taxes, less the allowance for uncollectible amounts. These are shown as deferred inflows of resources in Exhibit C-1 in accordance with GASB Statement No. 65.

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. LOCAL AND INTERMEDIATE SOURCES

For the ten months ended June 30, 2019, revenues from local and intermediate sources in the governmental funds consisted of the following:

	Major Funds			
	General Fund	Debt Service Fund	Other Funds	Total
Property Taxes	$ 15,884,349	$ 2,815,101	$ -	$ 18,699,450
Penalties, Interest, and Other Tax-Related Income	363,884	64,599	-	428,483
Investment Income	1,157,553	123,743	-	1,281,296
Rent	167,257	-	-	167,257
Donations and Local Grants	-	-	45,610	45,610
Insurance Recovery	6,830	-	-	6,830
Food Service Activity	302,061	-	-	302,061
Athletic Activity	97,120	-	-	97,120
Transportation	220,497	-	-	220,497
COSA-Pre K After School Program	191,007	-	-	191,007
Utility Rebate	481,737	-	-	481,737
After School Challenge Program	167,490	-	-	167,490
After School All Stars Program	25,395	-	-	25,395
DAEP Contract	200,000	-	-	200,000
Other	3,846	-	2,808	6,654
Total	$ 19,269,026	$ 3,003,443	$ 48,418	$ 22,320,887

Revenues from local and intermediate sources in the proprietary funds consisted of $1,761,287 for user charges.

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. GENERAL FUND FEDERAL REVENUES

For the ten months ended June 30, 2019, revenues from federal programs included in the General Fund consisted of the following:

Program or Source	CFDA Number	Amount
National School Breakfast Program	10.553	$ 1,847,868
National School Lunch Program	10.555	4,773,967
USDA Donated Commodities	N/A	191,905
School Health and Related Services (SHARS)	N/A	3,301,969
E-Rate	N/A	75,217
Interest Subsidy Qualified Energy Conservation Notes		86,847
ROTC	12.xxx	109,267
Medicaid Administrative Claiming Program	93.778	133,402
Indirect Cost* :		
National School Lunch Program	10.555	113,451
TX Education for Homeless Children and Youth (TECHY)	84.196A	83
Title I, Part A	84.010A	288,933
IDEA-B Formula	84.027A	99,989
IDEA-B Preschool	84.173A	695
Carl D. Perkins Basic Formula Grant	84.048A	3,756
Title II, Part A, Supporting Effective Instruction	84.367A	17,622
Title III, Part A, ELA	84.365A	5,712
Title IV, Part A, Subpart 1	84.424A	5,692
2018-2019 Gear UP Grants to School Districts	84.334	4,739
TOTAL		$ 11,061,114

* Indirect cost revenues were determined by applying approved indirect cost rates at actual applicable expenditures of federally funded grant programs.

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

J. 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 of which the District carries commercial insurance. The District established a limited risk management program for workers' compensation in 1989. "Premiums" are paid into the Internal Service Fund by General and Other funds based on actuarial estimates which consider the available net resources. The “Premiums” and available net resources are used to pay claims, administrative costs of the program and to establish claim reserves.

During fiscal year 2019, a total of $527,054 was incurred in benefits and operating costs. An excess coverage insurance policy covers individual claims in excess of $450,000 up to a maximum limit of $1,000,000 for any one event.

The District holds aggregate excess insurance as follows:

Aggregate retention rate:	259.35%
Estimated Manual Premium:	$465,695
Minimum Aggregate retention:	$1,207,780

Claims payable reported in the amount of $551,383 was determined based on the requirements of GASB Statement No. 10 as amended by GASB Statement No. 30 which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated. The liability includes provisions for the following:

- Reserves on open claims on an individual case basis
- The expected ultimate value of future development on reported claims
- The expected ultimate value of claims yet to be reported
- The expected ultimate value of reopened claims
- The allocated loss adjustment expenses; and
- Net of projected recoveries from excess insurance, salvage, and subrogation.

The carrying amount of the liability is presented at an undiscounted rate.

There were no settlements in excess of insurance coverage in any of the prior three years.

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

A reconciliation of changes in the aggregate liabilities for worker's compensation claims for the two prior and the current year are presented below:

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes In Estimates	Claims Payments	End of Year Liability
2016-2017	684,299	869,597	(632,437)	921,459
2017-2018	921,459	378,846	(630,270)	670,035
2018-2019	670,035	468,591	(587,243)	551,383

K. DEFINED BENEFIT PENSION PLAN

Plan Description. The District participates in a cost-sharing multiple-employer defined benefit pension plan (Plan) that has a special funding situation. The Plan is administered by the Teacher Retirement System of Texas (TRS) and 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 Plan'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 TRS.

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://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.

The information provided in the Notes to the Financial Statements in the 2018 Comprehensive Annual Financial Report for TRS provides the following information regarding the Plan's fiduciary net position as of August 31, 2018.

Net Pension Liability	Total
Total Pension Liability	$ 209,611,328,793
Less: Plan Fiduciary Net Position	(154,568,901,833)
Net Pension Liability	$ 55,042,426,960
Net Position as percentage of Total Pension Liability	73.74%

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

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 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of credit service 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 under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description 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 TRS members 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.

	Contribution Rates & Amounts	
	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE) (State)	6.8%	6.8%
Employer	6.8%	6.8%
Member (Employee) Contributions (1)	$ 5,895,301	$ 4,785,759
NECE On-Behalf Contributions (2)	$ 3,338,841	$ 2,599,595
Employer (District) Contributions (2)	$ 2,698,621	$ 2,353,711

(1) Amounts obtained from District's records
(2) 2018 amounts provided by TRS; 2019 amounts obtained from District's records

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Contributors to the Plan include members, employers and the State of Texas as the only NECE. The State contributes to the Plan in accordance with state statutes and the GAA.

As the NECE for public education, the State of Texas contributes to the Plan an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers, including public 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, or another privately sponsored source.

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

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

Actuarial Assumptions. The total pension liability in the August 31, 2018 actuarial valuation 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 as of August 2018	3.69% (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's Index's "20 year Municipal GO AA Index")
Last year ending August 31 in Projection Period period (100 years)	2116
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05% including inflation
Payroll Growth Rate	3.00%
Ad HOC Post-Employment Benefit Changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the four-year period ending August 31, 2017 and adopted in July 2018.

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Discount Rate. The discount rate used to measure the total pension liability 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 Plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the Plan'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 all benefit payments after that date. The long-term expected rate of return on Plan's investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TRS's target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation*	Long-Term Expected Geometric Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	-	-	-
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	(0.30)%	-
Real Return			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	-	-	-
Risk Parity			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag***			(0.79)%
Total	100%		7.25%

* Target allocations are based on the FY2016 policy model.

** Capital market assumptions come from AON Hewitt (2017 Q4).

*** The volatility drag results from the conversion between arithmetic and geometric mean returns.

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the 2018 Net Pension Liability.

	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:	$ 66,547,129	$ 44,093,145	$ 25,915,313

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the District reported a liability of $44,093,145 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$ 44,093,145
State's proportionate share that is associated with the District	54,587,763
Total	$ 98,680,908

The net pension liability was measured as of August 31, 2017 and rolled forward on August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 and rolled forward to August 31, 2018. The employer's proportion of the net pension liability was based on the employer's contributions to the 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 0.0801076% which is a decrease of 0.0061096% 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 total pension liability since the prior measurement period.

- The Total Pension Liability 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 rate of salary increase 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 rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

For the year ended June 30, 2019, the District recognized pension expense of $11,022,790 and, $2,599,595 of revenues for support provided by the State. At June 30, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Amount
Differences between expected and actual economic experience	$ 274,840	$ (1,081,872)	$ (807,032)
Changes in actuarial assumptions	15,897,703	(496,804)	15,400,899
Differences between projected and actual investment earnings	-	(836,636)	(836,636)
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,954,226	(2,082,009)	872,217
Total as of August 31, 2018 measurement date	$ 19,126,769	$ (4,497,321)	$ 14,629,448

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

Year Ending June 30,	Pension Expense Amount
2019	$ 4,079,323
2020	2,318,692
2021	1,848,725
2022	2,456,453
2023	2,393,978
Thereafter	1,532,277
Total	$ 14,629,448

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Totals as of the August 31, 2018 measurement date	$ 19,126,769	$ (4,497,321)
Contributions paid to TRS subsequent to the measurement date	2,353,711	-
Total As Reported at June 30, 2019	$ 21,480,480	$ (4,497,321)

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

L. OTHER POST EMPLOYMENT BENEFITS

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

OPEB Plan Fiduciary Net Position. Detail 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 https://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 the TRS-Care plan as of August 31, 2018 are as follows:

Net OPEB Liability		Total
Total OPEB Liability	$	50,729,490,103
Less: Plan Fiduciary Net Position		798,574,633
Net OPEB Liability	$	49,930,915,470
Net Position as a percentage of Total OPEB Liability		1.57%

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). 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 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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.

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

TRS-Care Monthly Premium Rates
Effective January 1, 2018 – December 31, 2018

	Medicare	Non-Medicare
Retiree or Surviving Spouse	$ 135	$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan 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 of trustees does not have the authority to set or amend contribution rates.

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 member's rate which is 0.65% of the member's pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% and not more than 0.75% of the salary of each active member. The actual employer contribution rate is prescribed by the Texas Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	2018	2019
Member	0.65%	0.65%
Non-Employer Contributing Entity (NECE) (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%
Employer Contributions (2)	$697,102	$591,043
Member Contributions (1)	569,895	403,987
NECE On-behalf Contributions (2)	843,132	661,645

(1) Amounts obtained from District's records.
(2) 2018 amounts provided by TRS; 2019 amounts obtained from District's records.

Included in the employer contributions listed above, is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to contribute to TRS-Care, a monthly surcharge of $535 per retiree.

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Actuarial Assumptions. The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions and other inputs used for members of TRS-Care, which are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 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	Participation prior to age 65 and 75% after
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases*	3.50% to 9.50%
Ad Hoc Post-Employment Benefit Changes	None

* included inflation of 2.30%

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Other Information:
There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option is offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2018 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018.

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

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

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

Discount Rate. A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of change of .27 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan'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.

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 (3.69%) in measuring the Net OPEB Liability.

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

	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 the net OPEB liability:	$ 60,059,135	$ 50,455,294	$ 42,858,036

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2019, the District reported a liability of $50,455,294 for its proportionate share of the TRS'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	$ 50,455,294
State's proportionate share that is associated with the District	61,111,866
Total	$ 111,567,160

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 employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018 the District's proportion of the collective Net OPEB Liability was 0.101050% which is a decrease of .00442% from its proportion measured as of August 31, 2017.

The following schedule shows the impact of the Net OPEB Liability using the assumed healthcare cost trend rate of (8.5% decreasing to 4.5), as well as what the net OPEB Liability would be if the assumed healthcare cost trend rate used was 1% less than and 1% greater than the assumed healthcare cost trend rate.

	1% Decrease in Healthcare Cost Trend Rate (7.5% decreasing to 3.5%)	Current Healthcare Cost Trend Rate (8.5% decreasing to 4.5%)	1% Increase in Healthcare Cost Trend Rate (9.5% decreasing to 5.5%)
District's proportionate share of the net OPEB liability:	$ 41,903,943	$ 50,455,294	$ 61,717,607

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

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 health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (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 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the Total OPEB Liability by $2.3 billion.

Changes of Benefit Terms

The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

1. 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 of before January 1, 2017 and are not eligible to enroll in Medicare.
2. Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare eligible participants.
3. Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
4. 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.
5. 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 ten months ended June 30, 2019, the District recognized a net increase in OPEB expense of $3,207,058. The District also recognized revenue of $661,645 for on-behalf support provided by the State.

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

At June 30, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Amount
Differences between expected and actual economic experience	$ 2,677,475	$ (796,259)	$ 1,881,216
Changes in actuarial assumptions	841,962	(15,158,921)	(14,316,959)
Differences between projected and actual investment earnings	8,824	-	8,824
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	184	(2,425,276)	(2,425,092)
Total as of August 31, 2018 measurement date	$ 3,528,445	$ (18,380,456)	$ (14,852,011)

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

Year ended June 30,	OPEB Expense Amount
2019	$ (2,287,474)
2020	(2,287,474)
2021	(2,287,474)
2022	(2,289,143)
2023	(2,290,098)
Thereafter	(3,410,348)
Total	$ (14,852,011)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Totals as of the August 31, 2018 measurement date	$ 3,528,445	$ (18,380,456)
Contributions paid to TRS subsequent to the measurement date	591,043	-
Total as reported at June 30, 2019	$ 4,119,488	$ (18,380,456)

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

M. MEDICARE PART D

Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One provision of the law allows TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible participants. These payments totaled $245,331, $242,769, and $230,559 for fiscal years 2019, 2018, and 2017, respectively. Revenue and expenditures equal to the amount paid by the federal government were recognized during the fiscal year.

N. HEALTH CARE AND LIFE INSURANCE COVERAGE

As of January 1, 2017, the District implemented a fully insured employee health and life insurance care plan. Under the fully insured health care plan during the 10 months ended June 30, 2019, the District contributed a range of $351.35 per month for each employee to the plan of which $1.35 was for life insurance. Employees, at their option, authorize payroll deductions to pay for health insurance premiums for dependents. Total District contributions towards premiums for health care coverage for the fully insured plan during the year were $4,307,989.

In previous years, the District established the Health Claims Self-insurance fund, an internal service fund to account for and finance its uninsured risk of loss from health claims of District employees, their spouses and dependents. Under the program, the District provided coverage for up to a maximum of $200,000 per claim. The District purchased stop-loss coverage to provide a maximum limit of $1,000,000. During fiscal year 2019, a total of $92,584 was incurred in benefits and operating costs. The provision for unpaid self-insurance losses is included as claims payable of the internal service fund. The liability is based upon claim experience and the projected time lag in settling such claims and actual claims paid after year end. In prior years, the District contributed to the health insurance fund a payment of $320 per month per covered employee. Under the plan the employee could elect coverage under different plan options and could elect coverage for dependents which result in the collection of employee payroll deductions to cover the excess cost of the selected options and dependent care coverage.

All funds of the District ceased participation in the program as of December 31, 2016. Therefore, only available net resources were used to pay claims, administrative costs of the program during the fiscal year ended June 30, 2019.

Claims payable was determined based on the requirements of GASB Statement No. 10 as amended by GASB Statement No. 30 which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated.

(Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

A reconciliation of change in the aggregate liabilities for the health insurance fund for the last 3 years is presented below:

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes In Estimates	Claim Payments	End of Year Liability
2017	$ 1,021,651	$ 1,363,759	$ (2,331,462)	$ 53,948
2018	$ 53,948	$ (37,046)	$ (16,902)	$ -
2019	$ -	$ -	$ -	$ -

O. COMMITMENT AND CONTINGENCIES

Litigation – The District is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements and accordingly, no provision for losses has been recorded.

Grant Programs – The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and collectability of any related receivable at June 30, 2019, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Construction Commitments – An encumbrance system of accounting is maintained to account for commitments from approved purchase orders and contracts. The end-of-year construction contract commitments for the District were $1,124,259.

REQUIRED SUPPLEMENTARY INFORMATION

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EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE TEN MONTHS ENDED JUNE 30, 2019

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 17,596,166	$ 17,590,629	$ 19,269,026	$ 1,678,397
5800	State Program Revenues	72,500,826	73,850,335	70,113,020	(3,737,315)
5900	Federal Program Revenues	12,145,612	12,145,612	11,061,114	(1,084,498)
5020	Total Revenues	102,242,604	103,586,576	100,443,160	(3,143,416)
	EXPENDITURES:				
	Current:				
0011	Instruction	50,909,477	48,725,013	43,574,108	5,150,905
0012	Instructional Resources and Media Services	1,336,049	1,169,388	994,267	175,121
0013	Curriculum and Instructional Staff Development	3,111,087	2,758,729	1,295,644	1,463,085
0021	Instructional Leadership	2,868,341	2,960,976	2,234,092	726,884
0023	School Leadership	6,651,441	6,408,938	5,890,240	518,698
0031	Guidance, Counseling and Evaluation Services	4,192,138	3,880,807	3,527,408	353,399
0032	Social Work Services	1,139,027	1,357,847	962,918	394,929
0033	Health Services	1,438,623	1,240,628	1,012,547	228,081
0034	Student (Pupil) Transportation	1,921,986	2,341,846	1,942,083	399,763
0035	Food Services	8,110,734	7,835,734	6,097,467	1,738,267
0036	Extracurricular Activities	1,607,744	3,170,735	2,631,313	539,422
0041	General Administration	5,308,370	4,152,580	3,376,850	775,730
0051	Facilities Maintenance and Operations	10,800,547	12,581,379	9,588,930	2,992,449
0052	Security and Monitoring Services	2,055,314	2,113,448	1,703,753	409,695
0053	Data Processing Services	3,249,122	2,731,725	2,009,342	722,383
0061	Community Services	194,500	420,387	147,936	272,451
	Debt Service:				
0071	Principal on Long-Term Debt	595,666	152,491	125,685	26,806
0072	Interest on Long-Term Debt	-	442,105	236,267	205,838
0073	Bond Issuance Cost and Fees	-	1,070	1,070	-
	Capital Outlay:				
0081	Facilities Acquisition and Construction	1,200,000	7,154,405	3,204,600	3,949,805
	Intergovernmental:				
0095	Payments to Juvenile Justice Alternative Ed. Prg.	5,000	20,000	-	20,000
0099	Other Intergovernmental Charges	125,000	131,000	101,748	29,252
6030	Total Expenditures	106,820,166	111,751,231	90,658,268	21,092,963
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,577,562)	(8,164,655)	9,784,892	17,949,547
	OTHER FINANCING SOURCES (USES):				
7911	Capital Related Debt Issued (Regular Bonds)	-	927,022	-	(927,022)
7912	Sale of Real and Personal Property	-	-	26,102	26,102
7915	Transfers In	1,000,000	1,000,000	-	(1,000,000)
7080	Total Other Financing Sources (Uses)	1,000,000	1,927,022	26,102	(1,900,920)
1200	Net Change in Fund Balances	(3,577,562)	(6,237,633)	9,810,994	16,048,627
0100	Fund Balance - September 1 (Beginning)	40,525,803	40,252,803	40,252,803	-
3000	Fund Balance - June 30 (Ending)	$ 36,948,241	$ 34,015,170	$ 50,063,797	$ 16,048,627

EDGEWOOD INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

TEACHER RETIREMENT SYSTEM OF TEXAS

FOR THE TEN MONTHS ENDED JUNE 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.080107559%	0.0862172%	0.0841233%
District's Proportionate Share of Net Pension Liability (Asset)	$ 44,093,145	$ 27,567,629	$ 31,788,942
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	54,587,763	33,093,082	41,099,516
Total	$ 98,680,908	$ 60,660,711	$ 72,888,458
District's Covered Payroll	$ 76,562,335	$ 77,589,381	$ 7,565,307
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	57.59%	35.53%	42.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for 2015.

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

FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.0883554%	0.0665579%
$ 31,232,458	$ 17,778,536
39,562,339	33,597,581
$ 70,794,797	$ 51,376,117
$ 73,234,062	$ 70,939,043
42.65%	25.06%
78.43%	83.25%

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE TEN MONTHS ENDED JUNE 30, 2019

	2019	2018	2017
Contractually Required Contribution	$ 2,353,711	$ 2,858,550	$ 2,809,709
Contribution in Relation to the Contractually Required Contribution	(2,480,149)	(2,699,328)	(2,809,709)
Contribution Deficiency (Excess)	$ (126,438)	$ 159,222	$ -
District's Covered Payroll	$ 62,152,722	$ 76,562,335	$ 77,589,381
Contributions as a Percentage of Covered Payroll	3.99%	3.53%	3.62%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding years.

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

2016	2015
$ 2,650,371	$ 2,595,027
(2,650,371)	(2,595,027)
$ -	$ -
$ 75,565,307	$ 73,234,062
3.51%	3.50%

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE TEN MONTHS ENDED JUNE 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.101050208%	0.1054691%
District's Proportionate Share of Net OPEB Liability (Asset)	$ 50,455,294	$ 45,864,553
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	61,111,866	54,963,792
Total	$ 111,567,160	$ 100,828,345
District's Covered Payroll	$ 76,562,335	$ 77,589,381
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	65.90%	59.11%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE TEN MONTHS ENDED JUNE 30, 2019

	2019	2018
Contractually Required Contribution	$ 591,043	$ 748,742
Contribution in Relation to the Contractually Required Contribution	(591,043)	(748,742)
Contribution Deficiency (Excess)	$ -0-	$ -0-
District's Covered Payroll	$ 62,152,722	$ 76,562,335
Contributions as a Percentage of Covered Payroll	0.95%	0.97%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

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Following are notes to Exhibit G-6 at pages 69-70:

Changes of Benefit Terms

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

Changes of Assumptions

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

1. The total pension liability as of August 31, 2018 was developed using a roll-forward method from August 31, 2017.
2. 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.
3. Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
4. The discount rate changed from 8.0 percent as of August 31, 2017 to 6.0907 percent as of August 31, 2018.
5. The long term assumed rate of return changed from 8.0 percent to 7.25 percent.
6. 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.

Following are notes to Exhibit G-8 at page 73:

Changes of Benefit Terms

The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

1. 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.
2. Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare eligible participants.
3. Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
4. 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.
5. 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.

Changes of Assumptions

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

1. Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
2. The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
3. 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.
4. The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the total OPEB liability.

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

1. 2018 thresholds of $850/$2,292 were indexed annually by 2.50 percent.
2. Premium data submitted was not adjusted for permissible exclusion to the Cadillac Tax.
3. There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

OTHER SUPPLEMENTARY INFORMATION

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Non Major Governmental Funds

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Combining and Individual Fund Statements

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

Data Control Codes		205 Head Start	206 TX Education for Homeless (TECHY)	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
	ASSETS				
1110	Cash and Cash Equivalents	$ -	$ -	$ -	$ -
1240	Due from Other Governments	1,542,970	2,181	1,415,924	6,558
1000	Total Assets	$ 1,542,970	$ 2,181	$ 1,415,924	$ 6,558
	LIABILITIES				
2110	Accounts Payable	$ 24,321	$ -	$ 39,387	$ -
2160	Accrued Wages Payable	417,216	-	212,254	-
2170	Due to Other Funds	1,058,982	2,181	1,142,893	6,558
2200	Accrued Expenditures	42,451	-	21,390	-
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	1,542,970	2,181	1,415,924	6,558
	FUND BALANCES				
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	$ 1,542,970	$ 2,181	$ 1,415,924	$ 6,558

242 Summer Feeding Program	244 Carl D. Perkins Basic Formula Grant	255 Title II, A Supporting Eff. Inst.	263 Title III, A English Lang. Acquisition	274 GEARUP-to School Districts	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	397 Advanced Placement Incentives
$ 5,596	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,400
-	73,364	103,091	22,497	90,573	69,688	-	-
$ 5,596	$ 73,364	$ 103,091	$ 22,497	$ 90,573	$ 69,688	$ -	$ 2,400
$ -	$ 7,902	$ 15,613	$ -	$ 1,053	$ 14,116	$ -	$ -
-	-	-	5,162	5,644	-	-	-
-	65,462	87,478	16,818	83,302	55,572	-	-
-	-	-	517	574	-	-	-
-	-	-	-	-	-	-	2,400
-	73,364	103,091	22,497	90,573	69,688	-	2,400
5,596	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,596	-	-	-	-	-	-	-
$ 5,596	$ 73,364	$ 103,091	$ 22,497	$ 90,573	$ 69,688	$ -	$ 2,400

EXHIBIT H-1

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

Data Control Codes		410 State Instructional Materials	498 Special Ed 18+	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
	ASSETS				
1110	Cash and Cash Equivalents	$ -	$ 7,766	$ 148,726	$ 164,488
1240	Due from Other Governments	536,655	-	-	3,863,501
1000	Total Assets	$ 536,655	$ 7,766	$ 148,726	$ 4,027,989
	LIABILITIES				
2110	Accounts Payable	$ -	$ -	$ 81	$ 102,473
2160	Accrued Wages Payable	-	-	-	640,276
2170	Due to Other Funds	536,655	-	-	3,055,901
2200	Accrued Expenditures	-	-	-	64,932
2300	Unearned Revenue	-	7,766	101,523	111,689
2000	Total Liabilities	536,655	7,766	101,604	3,975,271
	FUND BALANCES				
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-	5,596
3490	Other Restricted Fund Balance	-	-	47,122	47,122
3000	Total Fund Balances	-	-	47,122	52,718
4000	Total Liabilities and Fund Balances	$ 536,655	$ 7,766	$ 148,726	$ 4,027,989

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EDGEWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE TEN MONTHS ENDED JUNE 30, 2019

Data Control Codes		205 Head Start	206 TX Education for Homeless (TECHY)	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ -	$ -	$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	3,997,409	2,098	2,535,209	17,793
5020	Total Revenues	3,997,409	2,098	2,535,209	17,793
	EXPENDITURES:				
	Current:				
0011	Instruction	2,971,537	2,098	2,214,925	17,793
0013	Curriculum and Instructional Staff Development	1,846	-	230,768	-
0021	Instructional Leadership	-	-	2,038	-
0023	School Leadership	571,901	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	14,035	-
0032	Social Work Services	-	-	-	-
0033	Health Services	71,571	-	-	-
0034	Student (Pupil) Transportation	64,798	-	-	-
0035	Food Services	37,694	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	27,163	-	-	-
0051	Facilities Maintenance and Operations	217,721	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	406	-	73,443	-
	Debt Service:				
0071	Principal on Long-Term Debt	-	-	-	-
	Capital Outlay:				
0081	Facilities Acquisition and Construction	32,772	-	-	-
6030	Total Expenditures	3,997,409	2,098	2,535,209	17,793
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
	OTHER FINANCING SOURCES (USES):				
7913	Capital Leases	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - June 30 (Ending)	$ -	$ -	$ -	$ -

242 Summer Feeding Program	244 Carl D. Perkins Basic Formula Grant	255 Title II, A Supporting Eff. Inst.	263 Title III, A English Lang. Acquisition	274 GEARUP-to School Districts	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	397 Advanced Placement Incentives
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	5,423	-
-	185,808	446,794	144,007	315,303	155,197	-	-
-	185,808	446,794	144,007	315,303	155,197	5,423	-
-	124,109	-	70,655	31,379	72,135	5,423	-
-	61,699	444,453	73,352	246,472	48,400	-	-
-	-	-	-	32,596	2,047	-	-
-	-	2,341	-	-	-	-	-
-	-	-	-	4,666	19,155	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	190	13,460	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	185,808	446,794	144,007	315,303	155,197	5,423	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,596	-	-	-	-	-	-	-
$ 5,596	$ -	$ -	$ -	$ -	$ -	$ -	$ -

EXHIBIT H-2

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE TEN MONTHS ENDED JUNE 30, 2019

Data Control Codes		410 State Instructional Materials	498 Special Ed 18+	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ 2,808	$ 45,610	$ 48,418
5800	State Program Revenues	568,458	-	2,533	576,414
5900	Federal Program Revenues	-	-	-	7,799,618
5020	Total Revenues	568,458	2,808	48,143	8,424,450
	EXPENDITURES:				
	Current:				
0011	Instruction	78,304	2,808	28,347	5,619,513
0013	Curriculum and Instructional Staff Development	-	-	1,650	1,108,640
0021	Instructional Leadership	-	-	-	36,681
0023	School Leadership	-	-	-	574,242
0031	Guidance, Counseling and Evaluation Services	-	-	818	38,674
0032	Social Work Services	-	-	368	368
0033	Health Services	-	-	-	71,571
0034	Student (Pupil) Transportation	-	-	-	64,798
0035	Food Services	-	-	-	37,694
0036	Extracurricular Activities	-	-	9,637	9,637
0041	General Administration	-	-	150	27,313
0051	Facilities Maintenance and Operations	-	-	418	218,139
0052	Security and Monitoring Services	-	-	-	13,650
0053	Data Processing Services	-	-	339	339
0061	Community Services	-	-	6,416	80,265
	Debt Service:				
0071	Principal on Long-Term Debt	490,154	-	-	490,154
	Capital Outlay:				
0081	Facilities Acquisition and Construction	1,403,446	-	-	1,436,218
6030	Total Expenditures	1,971,904	2,808	48,143	9,827,896
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,403,446)	-	-	(1,403,446)
	OTHER FINANCING SOURCES (USES):				
7913	Capital Leases	1,403,446	-	-	1,403,446
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	47,122	52,718
3000	Fund Balance - June 30 (Ending)	$ -	$ -	$ 47,122	$ 52,718

Internal Service Funds

EXHIBIT H-3

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2019

	750 Health Claims Fund	752 Print Shop	753 Workers Compensation Fund	Total Internal Service Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 1,098,256	$ 12,179	$ 4,407,531	$ 5,517,966
Total Current Assets	1,098,256	12,179	4,407,531	5,517,966
Noncurrent Assets:				
Capital Assets:				
Furniture and Equipment	-	71,978	-	71,978
Depreciation	-	(61,135)	-	(61,135)
Total Noncurrent Assets	-	10,843	-	10,843
Total Assets	1,098,256	23,022	4,407,531	5,528,809
LIABILITIES				
Current Liabilities:				
Accounts Payable	-	1,301	2,621	3,922
Short Term Debt Payable	-	-	220,553	220,553
Due to Other Funds	-	-	78	78
Total Current Liabilities	-	1,301	223,252	224,553
NonCurrent Liabilities:				
Other Long-Term Debt - Due in More than One Year	-	-	330,830	330,830
Total Noncurrent Liabilities	-	-	330,830	330,830
Total Liabilities	-	1,301	554,082	555,383
NET POSITION				
Net Investment in Capital Assets	-	10,843	-	10,843
Unrestricted Net Position	1,098,256	10,878	3,853,449	4,962,583
Total Net Position	$ 1,098,256	$ 21,721	$ 3,853,449	$ 4,973,426

EXHIBIT H-4

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE TEN MONTHS ENDED JUNE 30, 2019

	750 Health Claims Fund	752 Print Shop	753 Workers Compensation Fund	Total Internal Service Funds
OPERATING REVENUES:				
Local and Intermediate Sources	$ -	$ 116,647	$ 1,644,640	$ 1,761,287
Total Operating Revenues	-	116,647	1,644,640	1,761,287
OPERATING EXPENSES:				
Payroll Costs	-	43,960	58,337	102,297
Professional and Contracted Services	-	20,983	468,592	489,575
Supplies and Materials	-	22,604	125	22,729
Other Operating Costs	92,585	-	-	92,585
Depreciation Expense	-	13,042	-	13,042
Total Operating Expenses	92,585	100,589	527,054	720,228
Operating Income (Loss)	(92,585)	16,058	1,117,586	1,041,059
NONOPERATING REVENUES (EXPENSES):				
Earnings from Temporary Deposits & Investments	-	-	31,499	31,499
Total Nonoperating Revenues (Expenses)	-	-	31,499	31,499
Change in Net Position	(92,585)	16,058	1,149,085	1,072,558
Total Net Position - September 1 (Beginning)	1,190,841	5,663	2,704,364	3,900,868
Total Net Position June 30 (Ending)	$ 1,098,256	$ 21,721	$ 3,853,449	$ 4,973,426

EXHIBIT H-5

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE TEN MONTHS ENDED JUNE 30, 2019

	750 Health Claims Fund	752 Print Shop	753 Workers Compensation Fund	Total Internal Service Funds
Cash Flows from Operating Activities:				
Cash Received from User Charges	$ -	$ 116,647	$ -	$ 116,647
Cash Received from Assessments - Other Funds	-	-	1,644,640	1,644,640
Cash Payments to Employees for Services	-	(44,385)	(59,564)	(103,949)
Cash Payments for Insurance Claims	(92,585)	-	(584,694)	(677,279)
Cash Payments for Suppliers	-	(60,083)	-	(60,083)
Net Cash Provided by (Used for) Operating Activities	(92,585)	12,179	1,000,382	919,976
Cash Flows from Investing Activities:				
Interest and Dividends on Investments	-	-	31,499	31,499
Net Increase (Decrease) in Cash and Cash Equivalents	(92,585)	12,179	1,031,881	951,475
Cash and Cash Equivalents at Beginning of the Period	1,190,841	-	3,375,650	4,566,491
Cash and Cash Equivalents at End of the Period	$ 1,098,256	$ 12,179	$ 4,407,531	$ 5,517,966
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss):	$ (92,585)	$ 16,058	$ 1,117,586	$ 1,041,059
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:				
Depreciation	-	13,042	-	13,042
Effect of Increases and Decreases in Current Assets and Liabilities:				
Increase (decrease) in Accounts Payable	-	(8,659)	2,621	(6,038)
Increase (decrease) in Accrued Wages Payable	-	(425)	(1,227)	(1,652)
Increase (decrease) in Interfund Charges	-	(7,837)	54	(7,783)
Increase (decrease) in Claims Payable	-	-	(118,652)	(118,652)
Net Cash Provided by (Used for) Operating Activities	$ (92,585)	$ 12,179	$ 1,000,382	$ 919,976

TEA Compliance Schedules

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2019

Last 10 Years Ended August 31		(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2010	and prior years	Various	Various	$ Various
2011		1.170000	0.250000	894,499,077
2012		1.170000	0.237400	900,338,255
2013		1.170000	0.228000	925,702,790
2014		1.170000	0.212600	954,526,799
2015		1.170000	0.192700	1,009,283,222
2016		1.170000	0.185900	1,089,862,746
2017		1.170000	0.185900	1,212,655,598
2018		1.170000	0.215180	1,334,459,018
2019	(School year under audit)	1.170000	0.207240	1,481,995,319
1000	TOTALS			

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
$ 787,722	$ -	$ 53,108	$ 9,640	$ (57,192)	$ 667,782
109,699	-	8,263	1,766	(839)	98,831
122,538	-	8,272	1,678	(745)	111,843
145,174	-	10,779	2,100	(765)	131,530
152,948	-	15,422	2,802	72	134,796
175,941	-	21,270	3,503	1,556	152,724
197,549	-	35,548	5,648	(2,147)	154,206
338,979	-	82,162	13,055	(39,293)	204,469
1,006,787	-	364,502	67,037	(191,980)	383,268
-	19,471,865	15,428,815	2,732,905	(197,020)	1,113,125
$ 3,037,337	$ 19,471,865	$ 16,028,141	$ 2,840,134	$ (488,353)	$ 3,152,574

EXHIBIT J-4

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE TEN MONTHS ENDED JUNE 30, 2019

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 312,129	$ 312,129	$ 331,623	$ 19,494
5800	State Program Revenues	42,321	42,321	40,496	(1,825)
5900	Federal Program Revenues	8,043,550	8,043,550	6,813,741	(1,229,809)
5020	Total Revenues	8,398,000	8,398,000	7,185,860	(1,212,140)
	EXPENDITURES:				
	Current:				
0035	Food Services	8,110,734	7,835,734	6,097,467	1,738,267
0051	Facilities Maintenance and Operations	287,266	562,266	323,835	238,431
6030	Total Expenditures	8,398,000	8,398,000	6,421,302	1,976,698
1200	Net Change in Fund Balances	-	-	764,558	764,558
0100	Fund Balance - September 1 (Beginning)	2,204,380	-	2,204,380	2,204,380
3000	Fund Balance - June 30 (Ending)	$ 2,204,380	$ -	$ 2,968,938	$ 2,968,938

EXHIBIT J-5

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE TEN MONTHS ENDED JUNE 30, 2019

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 2,832,153	$ 2,832,153	$ 3,003,443	$ 171,290
5800	State Program Revenues	3,856,165	3,856,165	3,975,931	119,766
5020	Total Revenues	6,688,318	6,688,318	6,979,374	291,056
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Debt	6,688,318	4,015,000	2,165,000	1,850,000
0072	Interest on Long-Term Debt	-	2,671,319	1,361,163	1,310,156
0073	Bond Issuance Cost and Fees	-	1,999	900	1,099
6030	Total Expenditures	6,688,318	6,688,318	3,527,063	3,161,255
1200	Net Change in Fund Balances	-	-	3,452,311	3,452,311
0100	Fund Balance - September 1 (Beginning)	2,374,210	2,374,210	2,374,210	-
3000	Fund Balance - June 30 (Ending)	$ 2,374,210	$ 2,374,210	$ 5,826,521	$ 3,452,311

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COMPLIANCE SECTION

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Garza/Gonzalez & Associates
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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*

School Board
Edgewood Independent School District
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Edgewood Independent School District (the District), as of and for the ten months ended June 30, 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 1, 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 circumstance 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 a 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.

207 Arden Grove
San Antonio, TX 78215
210/227-1389
Fax 227-0716

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Compliance

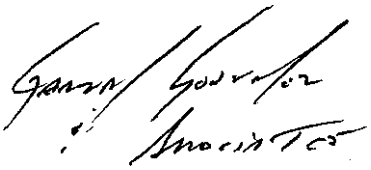
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

Other Matters

We noted certain matters that we reported to management of the District in a separate letter dated November 1, 2019.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



November 1, 2019

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

School Board
Edgewood Independent School District
San Antonio, Texas

Report on Compliance for Each Major Federal Program

We have audited Edgewood 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 ten months ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's 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.

Auditor's 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.

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Opinions 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 ten months ended June 30, 2019.

Report on Internal Control Over Compliance

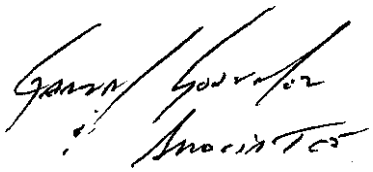
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the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

Purposes of this Report

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.



November 1, 2019

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EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Ten Months Ended June 30, 2019

SECTION I --- SUMMARY OF AUDITORS' RESULTS

	Financial Statements		
	Type of auditor's report issued:	Unmodified	
	Internal control over financial reporting: • Material weakness (es) identified?	____Yes	__X__No
	• Significant deficiency(ies) identified not considered to be material weaknesses?	____Yes	__X__None Reported
	Noncompliance material to financial statements noted?	____Yes	__X__No

	Federal Awards		
	Internal control over major programs: • Material weakness (es) identified?	____Yes	__X__No
	• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____Yes	__X__None Reported
	Type of auditor's report issued on compliance for major programs	Unmodified	
	Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516(a)?	____Yes	__X__No

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Ten Months Ended June 30, 2019

SECTION I --- SUMMARY OF AUDITORS' RESULTS (Continued)

Identification of Major Programs				
	CFDA Numbers(s)	**Name of Federal Program or Cluster**		
	10.553 10.555	Child Nutrition Cluster		
	Dollar threshold used to distinguish between Type A and Type B programs:		$750,000	
	Auditee qualified as low-risk auditee?		__X__Yes	____No

SECTION II --- FINANCIAL STATEMENT FINDINGS

There are no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

SECTION III --- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings and questioned costs required to be reported by the Uniform Guidance, Section 220.516(a).

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For The Ten Months Ended June 30, 2019

There were no prior audit findings reported.

EXHIBIT K-1

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TEN MONTHS ENDED JUNE 30, 2019

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Direct Programs			
ROTC	12.xxx	N/A	$ 109,267
Total Direct Programs			109,267
TOTAL U.S. DEPARTMENT OF DEFENSE			109,267
U.S. DEPARTMENT OF EDUCATION			
Passed Through The University of Texas at Austin			
GEAR UP - Grants to School Districts	84.334S	41605	195,146
Total Passed Through The University of Texas at Austin			195,146
Passed Through State Department of Education			
Title I, Part A, Improving Basic Programs	84.010A	18610101015905	9,210
Title I, Part A, Improving Basic Programs	84.010A	19610101015905	6,138,105
Title I, 1003 School Improvement	84.010A	19610141015905	179,421
2017-2019 School Redesign Grant	84.010A	186101207110001	1,055,706
2018-2019 School Transformation Fund - Planning	84.010A	196101427110006	232,393
Total CFDA Number 84.010A			7,614,835
*IDEA - Part B, Formula	84.027A	186600010159056000	404,360
*IDEA - Part B, Formula	84.027A	196600010159056000	2,230,838
Total CFDA Number 84.027A			2,635,198
*IDEA - Part B, Preschool	84.173A	186610010159056000	11,929
*IDEA - Part B, Preschool	84.173A	196610010159056000	6,558
Total CFDA Number 84.173A			18,487
Total Special Education Cluster (IDEA)			2,653,685
Carl D. Perkins Basic Formula Grant	84.048A	19420006015905	189,564
GEAR UP	84.334S	195110017110001	124,896
Title III, Part A, English Language Acquisition	84.365A	18671001015905	(1,706)
Title III, Part A, English Language Acquisition	84.365A	19671001015905	151,426
Total CFDA Number 84.365A			149,720
Title II, Part A, Supporting Effective Instruction	84.367A	18694501015905	6,666
Title II, Part A, Supporting Effective Instruction	84.367A	19694501015905	457,749
Total CFDA Number 84.367A			464,415
Title IV Part A, Student Support & Academic Enrich	84.424A	18680101015905	7,123
Title IV Part A, Student Support & Academic Enrich	84.424A	19680101015905	150,011
Total CFDA Number 84.424A			157,134
Summer School LEP	84.369A	69551802	3,755
TX Education for Homeless (TECHY)	84.196A	194600057110024	2,181
Total Passed Through State Department of Education			11,360,185
TOTAL U.S. DEPARTMENT OF EDUCATION			11,555,331
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through City of San Antonio			
Head Start	93.600	4600017111	1,756,896
Head Start	93.600	4600017111	2,240,514
Total CFDA Number 93.600			3,997,410
Total Passed Through City of San Antonio			3,997,410

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TEN MONTHS ENDED JUNE 30, 2019

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
Passed Through TX Health & Human Svcs Commission			
Medicaid Administrative Claiming Program - MAC	93.778	529-07-0157-00031	133,402
Total Passed Through TX Health & Human Svcs Commission			133,402
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			4,130,812
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State Department of Agriculture			
*School Breakfast Program	10.553	71301901	1,847,868
*National School Lunch Program - Cash Assistance	10.555	71301901	4,887,418
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301901	191,905
Total CFDA Number 10.555			5,079,323
Total Child Nutrition Cluster			6,927,191
Total Passed Through the State Department of Agriculture			6,927,191
TOTAL U.S. DEPARTMENT OF AGRICULTURE			6,927,191
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 22,722,601

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Ten Months Ended June 30, 2019

1. The District utilizes the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide.

   General Fund – is used to account for resources related to the United States Department of Defense ROTC program, the Child Nutrition programs, the E-rate program, Impact Aid, the Medicaid Administrative Claiming program, interest subsidy, and indirect cost revenues of various federal grants.

   Special Revenue Funds are used to account for resources restricted or designated for specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Funds that are not expended are generally returned to the grantor at the close of specified grant periods.

   The accompanying Schedule of Expenditures of Federal Awards (SEFA), Exhibit K-1, includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2019. The information is presented in accordance with the requirements of *Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, deferred inflows of resources, and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current position.

   The modified accrual basis of accounting is used for the governmental fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

   Federal grant funds are generally considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received in advance, they are recorded as unearned revenues until earned.

3. The period of performance for Federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the Federal project period is no later than 90 days after the Federal project period ending date as specified in the terms and conditions of the Federal award, unless an extension is authorized by the Federal awarding agency or pass-through entity, in accordance with the Uniform Guidance.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Ten Months Ended June 30, 2019

4. Expenditures for the National School Lunch and Breakfast Program are not specifically attributable to the Federal revenue source and are shown on the schedule in an amount equal to Federal revenue. Included in the National School Lunch Program are USDA Donated Commodities which represent non-cash assistance. Expenditures are recognized for the issuance of the commodities to the District's campuses.

5. In the latest TEA delegation agreement form USDE, indirect cost rate extensions beyond 2017-2018 were rescinded. Thereafter, the District must follow the TEA annual indirect cost rate application process for new approved rates annually. The following indirect cost rates were approved for school year 2018-2019. A rate of 3.944% for restricted and 11.975% for unrestricted through June 30, 2019.

6. The expenditures shown on the SEFA does not include School Health and Related Services (SHARS), E-Rate program, and Qualified Energy Conservation Notes (QECN) interest subsidy, recorded in the General Fund, since the revenue for those programs are not considered federal financial assistance as defined by the Uniform Guidance. A reconciliation of the expenditures reported in the SEFA to reported federal revenues shown on Exhibit C-3 is as follows:

Total Federal Revenues reported on Schedule C-3	$	26,186,633
Less: SHARS		(3,301,968)
Less: E-Rate		(75,217)
Less: QECN interest subsidy		(86,847)
Amount reported on the SEFA	$	22,722,601

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