

# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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## **EDGEWOOD INDEPENDENT SCHOOL DISTRICT**

San Antonio, Texas

## **ANNUAL FINANCIAL AND COMPLIANCE REPORT**

For The Year Ended August 31, 2017

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EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

ANNUAL FINANCIAL AND COMPLIANCE REPORT

For The Year Ended August 31, 2017

TABLE OF CONTENTS

	<u>PAGE</u>	<u>EXHIBIT</u>
CERTIFICATE OF BOARD .....	1	
FINANCIAL SECTION		
Independent Auditors' 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	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	17	C-2
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	18	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	19	C-4
Proprietary Fund Financial Statements:		
Statement of Net Position .....	20	D-1
Statement of Revenues, Expenses and Changes in Fund Net Position .....	21	D-2
Statement of Cash Flows .....	22	D-3
Fiduciary Funds Financial Statements:		
Statement of Fiduciary Net Position .....	23	E-1
Statement of Changes in Fiduciary Fund Net Position .....	24	E-2
Notes to Financial Statements .....	25-60	
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	61	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability Teacher Retirement System of Texas.....	62	G-6
Notes to Required Supplementary Information .....	63	
Schedule of District Contributions Teacher Retirement System of Texas.....	64	G-7

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

ANNUAL FINANCIAL AND COMPLIANCE REPORT

For The Year Ended August 31, 2017

TABLE OF CONTENTS

	<u>PAGE</u>	<u>EXHIBIT</u>
OTHER SUPPLEMENTARY INFORMATION		
Combining and Individual Fund Statements:		
Non Major Governmental Funds		
Combining Balance Sheet.....	65-68	H-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	69-72	H-2
Internal Service Funds		
Combining Statement of Net Position.....	73	H-3
Combining Statement of Revenues, Expenses and Changes in Fund Net Position .....	74	H-4
Combining Statement of Cash Flows.....	75	H-5
TEA Compliance Schedules:		
Schedule of Delinquent Taxes Receivable .....	76-77	J-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Child Nutrition Program .....	78	J-4
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Debt Service Fund .....	79	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 <i>Government Auditing Standards</i> .....	80-81	
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance .....	82-83	
Schedule of Findings and Questioned Costs .....	84-85	
Summary Schedule of Prior Audit Findings.....	86	
Schedule of Expenditures of Federal Awards .....	87-88	K-1
Notes to Schedule of Expenditures of Federal Awards .....	89-90	

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 year ended August 31, 2017 at a meeting of the Board of Managers of such school district on the 23<sup>rd</sup> day of January, 2018.



Signature of Board Secretary



Signature of Board President

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## **FINANCIAL SECTION**

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# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Managers  
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 year ended August 31, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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.

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

### ***Opinions***

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

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information for the general fund, and the Teacher Retirement System pension 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.

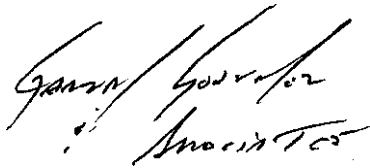
#### ***Other Information***

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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Gordon/Gordon" followed by "Auditor".

November 27, 2017

## 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 August 31, 2017. 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 of the District exceeded its liabilities at the close of the fiscal year ended August 31, 2017 by \$114,383,113 (net position).
- The General Fund fund balance at August 31, 2017 increased in the current year by \$1,507,301 to \$37,589,504 primarily due to the sale of the H.K. Williams building for \$1,130,938 and a legal settlement from the construction of Las Palmas Elementary School and Roosevelt Elementary School for \$2,559,483. The amount from the legal settlement has been assigned by management for future costs related the repairs of those facilities. The General Fund consists of the District's Food Service Fund and the General Fund. The Food Service Fund has a fund balance of \$2,602,985. The General Fund has a fund balance of \$34,986,519. Of this amount, \$32,368,189 (unassigned fund balance) may be used to meet the District's ongoing obligations
- The General Fund expenditures decreased by \$5,107,461 to \$107,373,963 compared to the previous year. The decrease was primarily due to the completion of construction projects and District focus on overall cost savings.

### 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.

## EDGEWOOD INDEPENDENT SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

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**

<i>Type of Statements</i>	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	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
<i>Required financial statements</i>	❖ 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
<i>Accounting basis and measurement focus</i>	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
<i>Type of asset and deferred outflows/liability and deferred inflows information</i>	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
<i>Type of inflow/outflow information</i>	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

## EDGEWOOD INDEPENDENT SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

# EDGEWOOD INDEPENDENT SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

- ◆ 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			
	2017	2016	Change	Percent Change
Current and Other Assets	\$ 61,853,241	\$ 57,162,218	\$ 4,691,023	8.2%
Capital and Non-Current Assets	161,271,628	168,108,640	(6,837,012)	-4.1%
Total Assets	<u>223,124,869</u>	<u>225,270,858</u>	<u>(2,145,989)</u>	<u>-1.0%</u>
Deferred Outflows-Resources	12,594,409	14,015,514	(1,421,105)	-10.1%
Current Liabilities	15,891,705	14,867,423	1,024,282	6.9%
Long Term Liabilities	103,192,165	107,787,846	(4,595,681)	-4.3%
Total Liabilities	<u>119,083,870</u>	<u>122,655,269</u>	<u>(3,571,399)</u>	<u>-2.9%</u>
Deferred Inflows-Resources	2,252,295	2,324,757	(72,462)	-3.1%
Net Position:				
Invested in Capital Assets net of related debt	92,343,921	94,842,076	(2,498,155)	-2.6%
Restricted	4,797,071	5,463,801	(666,730)	-12.2%
Unrestricted	<u>17,242,121</u>	<u>14,000,469</u>	<u>3,241,652</u>	<u>23.2%</u>
Total Net Position	<u>\$ 114,383,113</u>	<u>\$ 114,306,346</u>	<u>\$ 76,767</u>	<u>0.1%</u>

## Changes in Net Position

The District's total revenues were \$130,546,520. 12% of the District's revenues are received from property taxes, 60.5% are State Allocations from state aid, 23.5% from operating grants and contributions, 2% from construction settlements, and the remaining 2% comes from investment earnings, charges for services and other miscellaneous revenues. The total cost of all programs and services was \$130,469,753, a decrease of \$9,006,981 or approximately 6% from the prior year.

**EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS**

**Table A-2  
Changes in Net Position**

	Governmental Activities			
	2017	2016	Change	Percent Change
Revenues:				
<u>Program Revenues</u>				
Charges For Services	\$ 1,802,173	\$ 1,746,261	\$ 55,912	3%
Operating Grants and Contributions	30,624,560	31,957,432	(1,332,872)	-4%
<u>General Revenues</u>				
Property Taxes	15,824,078	13,295,071	2,529,007	19%
State Aid-Formula	78,987,754	89,447,922	(10,460,168)	-12%
Investment Earnings	490,256	192,469	297,787	155%
Other	2,817,699	476,612	2,341,087	491%
Total Revenues	130,546,520	137,115,767	(6,569,247)	-5%
Expenses:				
Instruction	65,282,173	72,876,429	(7,594,256)	-10%
Instructional Resources & Media Services	1,676,128	1,760,072	(83,944)	-5%
Curriculum and Staff Development	4,499,863	3,957,263	542,600	14%
Instructional Leadership	2,816,406	2,732,139	84,267	3%
School Leadership	7,158,692	7,387,303	(228,611)	-3%
Guidance, Counseling & Evaluation Services	3,880,698	4,159,358	(278,660)	-7%
Social Work Services	1,322,629	1,174,039	148,590	13%
Health Services	1,448,748	1,632,720	(183,972)	-11%
Student (Pupil) Transportation	2,164,852	2,113,915	50,937	2%
Food Service	9,320,128	9,555,824	(235,696)	-2%
Co-curricular/Extracurricular Activities	4,375,821	4,479,772	(103,951)	-2%
General Administration	3,778,094	4,136,464	(358,370)	-9%
Plant Maintenance and Operations	12,447,288	12,594,793	(147,505)	-1%
Security and Monitoring Services	2,575,935	2,477,029	98,906	4%
Data Processing Services	3,941,707	4,729,337	(787,630)	-17%
Community Services	783,784	606,652	177,132	29%
Debt Service-Interest on Long Term Debt	2,789,768	2,895,238	(105,470)	-4%
Debt Service-Bond Issuance Cost & Fees	800	801	(1)	0%
Payments to Fiscal Agent/Member Districts of SSA	83,109	83,109	-	0%
Payments to Juvenile Justice Alternative Ed. Prg.	13,313	19,019	(5,706)	-30%
Other Intergovernmental Charges	109,817	105,458	4,359	4%
Total Expense	130,469,753	139,476,734	(9,006,981)	-6%
Change in Net Position	76,767	(2,360,967)	2,437,734	-103%
Beginning Net Position	114,306,346	116,667,313	(2,360,967)	-2%
Ending Net Position	\$ 114,383,113	\$ 114,306,346	\$ 76,767	0%



# EDGEWOOD INDEPENDENT SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

## Governmental Activities

- The property tax rate remained at \$1.3559, but the tax revenue increased by \$2,529,007 mainly due to an increase in the property tax values.
- The net position of the District's governmental activities increased by \$76,767.
- 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.

**Table A-3**  
**Net Cost of Selected District Functions**

	Cost of Services			
	August 31, 2017		August 31, 2016	
	Total	Net	Total	Net
Instruction	\$ 65,282,173	\$ 54,091,770	\$ 72,876,429	\$ 60,101,147
Curriculum and Staff Development	4,499,863	1,326,513	3,957,263	1,059,054
School Leadership	7,158,692	6,238,859	7,387,303	6,442,180
Guidance/Counseling	3,880,698	3,581,114	4,159,358	3,848,819
Food Service	9,320,128	1,434,282	9,555,824	1,283,000
Extracurricular Activities	4,375,821	4,125,333	4,479,772	4,246,679
General Administration	3,778,094	2,706,613	4,136,464	2,555,728
Facilities Maintenance & Operations	12,447,288	10,916,645	12,594,793	11,508,712
Data Processing Services	3,941,707	3,833,330	4,729,337	4,620,887

## 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 \$32,368,189.

# EDGEWOOD INDEPENDENT SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

## 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 August 31, 2017. Category 2 included an increase in estimated revenues and similar increases in the appropriations. 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 \$2,514,555 decrease and the variance between the final amended budgeted expenditures and actual expenditures was a \$6,845,112 decrease.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The District, at the end of the fiscal year, had a capital asset valuation of \$289,980,294 which represents a decrease of \$2,237,705 attributed primarily to the sale of the H.K. Williams site and the removal of obsolete, fully depreciated equipment. For capital asset activity, please refer to Note III (F) of the notes to the basic financial statements on page 42.

**Table A-4**  
**District's Capital Assets**  
**Governmental Activities**

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>Percent Change</u>
Land and Land Improvements	\$ 3,887,442	\$ 3,931,846	\$ (44,404)	-1.1%
Buildings and Improvements	260,943,902	264,441,993	(3,498,091)	-1.3%
Furniture and Equipment	23,193,028	22,882,136	310,892	1.4%
Property Under Capital Lease	266,674	962,024	(695,350)	-72.3%
Construction in Progress	<u>1,689,248</u>	<u>-</u>	<u>1,689,248</u>	100.0%
 Totals at Historical Cost	 289,980,294	 292,217,999	 (2,237,705)	 -0.8%
 Less Accumulated Depreciation for:				
Buildings and Improvements	(110,846,032)	(106,904,272)	(3,941,760)	3.7%
Furniture and Equipment	(17,822,229)	(16,627,872)	(1,194,357)	7.2%
Property Under Capital Lease	<u>(40,405)</u>	<u>(577,215)</u>	<u>536,810</u>	<u>-93.0%</u>
 Total Accumulated Depreciation for:	 <u>(128,708,666)</u>	 <u>(124,109,359)</u>	 <u>(4,599,307)</u>	 <u>3.7%</u>
 Governmental Activities Capital Assets, net	 <u>\$ 161,271,628</u>	 <u>\$ 168,108,640</u>	 <u>\$ (6,837,012)</u>	 <u>-4.1%</u>

# EDGEWOOD INDEPENDENT SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

## Long-Term Debt

At year end the District had \$71,403,223 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 (G) on pages 43-46.

**Table A-5**  
**District's Long Term Debt**  
**Governmental Activities**

	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>Percent Change</b>
Bonds Payable	\$ 65,515,000	\$ 69,890,000	\$ (4,375,000)	-6.3%
Unamortized Premium	4,706,749	4,959,438	(252,689)	-5.1%
Capital Leases	206,067	-	206,067	100.0%
Claims Payable	975,407	1,705,950	(730,543)	-42.8%
Total Long-Term Debt	\$ 71,403,223	\$ 76,555,388	\$ (5,152,165)	-6.7%

In addition to outstanding bonds, the District has outstanding claims from the self-funded workers compensation fund and the self-funded health insurance fund. The District moved to a fully insured health plan beginning January 2017, but any outstanding claims will continue to be the responsibility of the District through December 2017 and are included in these estimates.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the first part of the fiscal year, Dr. Sylvester Perez served as interim Superintendent of the District. The District continues to be led by a TEA appointed Board of Managers comprised of individuals with and without ties to the Edgewood community. In December 2016, the Board of Managers hired a new superintendent, Dr. Emilio Castro.

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 the 2017-2018 increased to 1.385178, with the maintenance and operations tax rate being at the maximum rate of 1.17 and the debt service rate at .215178. The adopted budget for the 2017-2018 fiscal year projects an excess of expenditures over revenues of \$4,396,882 for general fund operations; however, the District expects to recapture savings from a current energy management project to reduce the deficit to \$1,893,882. District staff is working diligently to reduce costs to ensure that the adopted deficit is reduced or eliminated altogether.

The District is adopting 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.

## **EDGEWOOD INDEPENDENT SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS**

### **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 Business Operations, in the Edgewood Independent School District Administrative Office.

## **Basic Financial Statements**

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## **Government-Wide Financial Statements**

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2017

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 53,487,315
1220 Property Taxes Receivable (Delinquent)	2,798,760
1230 Allowance for Uncollectible Taxes	(323,646)
1240 Due from Other Governments	5,601,984
1267 Due from Fiduciary Funds	41,444
1290 Other Receivables, net	126,780
1300 Inventories	77,530
1410 Prepayments	43,074
Capital Assets:	
1510 Land	3,887,442
1520 Buildings, Net	150,097,870
1530 Furniture and Equipment, Net	5,370,799
1550 Leased Property Under Capital Leases, Net	226,269
1580 Construction in Progress	1,689,248
1000 Total Assets	<u>223,124,869</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	1,491,954
1705 Deferred Outflow Related to TRS	11,102,455
1700 Total Deferred Outflows of Resources	<u>12,594,409</u>
<b>LIABILITIES</b>	
2110 Accounts Payable	2,096,025
2140 Interest Payable	124,732
2150 Payroll Deductions & Withholdings	1,534,296
2160 Accrued Wages Payable	2,447,705
2177 Due to Fiduciary Funds	48
2180 Due to Other Governments	6,496,373
2200 Accrued Expenses	62,705
2300 Unearned Revenue	3,129,821
Noncurrent Liabilities	
2501 Due Within One Year	4,944,059
2502 Due in More Than One Year	66,459,164
2540 Net Pension Liability (District's Share)	31,788,942
2000 Total Liabilities	<u>119,083,870</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS	2,252,295
2600 Total Deferred Inflows of Resources	<u>2,252,295</u>
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	92,343,921
3820 Restricted for Federal and State Programs	2,558,113
3850 Restricted for Debt Service	2,216,836
3890 Restricted for Other Purposes	22,122
3900 Unrestricted	17,242,121
3000 Total Net Position	<u><u>\$ 114,383,113</u></u>

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



EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 65,282,173	\$ 296,572	\$ 10,893,831	\$ (54,091,770)
12 Instructional Resources and Media Services	1,676,128	-	55,537	(1,620,591)
13 Curriculum and Staff Development	4,499,863	-	3,173,350	(1,326,513)
21 Instructional Leadership	2,816,406	-	512,685	(2,303,721)
23 School Leadership	7,158,692	-	919,833	(6,238,859)
31 Guidance, Counseling and Evaluation Services	3,880,698	9,445	290,139	(3,581,114)
32 Social Work Services	1,322,629	-	113,588	(1,209,041)
33 Health Services	1,448,748	-	2,997,726	1,548,978
34 Student (Pupil) Transportation	2,164,852	273,899	161,342	(1,729,611)
35 Food Services	9,320,128	323,475	7,562,371	(1,434,282)
36 Extracurricular Activities	4,375,821	163,671	86,817	(4,125,333)
41 General Administration	3,778,094	-	1,071,481	(2,706,613)
51 Facilities Maintenance and Operations	12,447,288	527,326	1,003,317	(10,916,645)
52 Security and Monitoring Services	2,575,935	-	927,840	(1,648,095)
53 Data Processing Services	3,941,707	-	108,377	(3,833,330)
61 Community Services	783,784	207,785	663,217	87,218
72 Debt Service - Interest on Long Term Debt	2,789,768	-	-	(2,789,768)
73 Debt Service - Bond Issuance Cost and Fees	800	-	-	(800)
93 Shared Services Arrangements	83,109	-	83,109	-
95 Juvenile Justice Alternative Ed. Prg.	13,313	-	-	(13,313)
99 Other Intergovernmental Charges	109,817	-	-	(109,817)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 130,469,753	\$ 1,802,173	\$ 30,624,560	(98,043,020)

Data Control Codes			
	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		13,654,526
DT	Property Taxes, Levied for Debt Service		2,169,552
GC	Grants and Contributions not Restricted		78,987,754
IE	Investment Earnings		490,256
MI	Miscellaneous Local and Intermediate Revenue		258,216
EI	Extraordinary Item - resource		2,559,483
TR	Total General Revenues & Extraordinary Items		98,119,787
CN	Change in Net Position		76,767
NB	Net Position - Beginning		114,306,346
NE	Net Position--Ending		\$ 114,383,113

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  
AUGUST 31, 2017

Data Control Codes	General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 46,705,725	\$ 2,893,398	\$ 168,769	\$ 49,767,892
1220 Property Taxes - Delinquent	2,388,610	410,150	-	2,798,760
1230 Allowance for Uncollectible Taxes (Credit)	(279,273)	(44,373)	-	(323,646)
1240 Receivables from Other Governments	1,907,830	-	3,694,154	5,601,984
1260 Due from Other Funds	3,423,956	31,433	-	3,455,389
1290 Other Receivables	126,226	-	-	126,226
1300 Inventories	77,530	-	-	77,530
1410 Prepayments	43,074	-	-	43,074
1000 Total Assets	<u>\$ 54,393,678</u>	<u>\$ 3,290,608</u>	<u>\$ 3,862,923</u>	<u>\$ 61,547,209</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 1,914,298	\$ -	\$ 174,321	\$ 2,088,619
2150 Payroll Deductions and Withholdings Payable	1,534,296	-	-	1,534,296
2160 Accrued Wages Payable	2,259,842	-	187,863	2,447,705
2170 Due to Other Funds	31,481	-	3,382,540	3,414,021
2180 Due to Other Governments	6,496,373	-	-	6,496,373
2200 Accrued Expenditures	44,254	-	18,451	62,705
2300 Unearned Revenues	2,482,460	594,775	52,586	3,129,821
2000 Total Liabilities	<u>14,763,004</u>	<u>594,775</u>	<u>3,815,761</u>	<u>19,173,540</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	2,041,170	354,265	-	2,395,435
2600 Total Deferred Inflows of Resources	<u>2,041,170</u>	<u>354,265</u>	<u>-</u>	<u>2,395,435</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	77,530	-	-	77,530
3430 Prepaid Items	43,074	-	-	43,074
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	2,541,228	-	16,885	2,558,113
3470 Capital Acquisition and Contractual Obligation	-	-	8,155	8,155
3480 Retirement of Long-Term Debt	-	2,341,568	-	2,341,568
3490 Other Restricted Fund Balance	-	-	22,122	22,122
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	2,559,483	-	-	2,559,483
3600 Unassigned Fund Balance	32,368,189	-	-	32,368,189
3000 Total Fund Balances	<u>37,589,504</u>	<u>2,341,568</u>	<u>47,162</u>	<u>39,978,234</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 54,393,678</u>	<u>\$ 3,290,608</u>	<u>\$ 3,862,923</u>	<u>\$ 61,547,209</u>

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

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2017

<b>Total Fund Balances - Governmental Funds</b>	\$ 39,978,234
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.	2,774,118
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 \$292,146,021 and the accumulated depreciation was (\$124,088,590). 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 (\$73,273,589), interest payable was (\$125,543), and the net pension liability was (\$31,232,458) and the related deferred outflows and inflows of resources were \$12,439,665 and (\$2,324,757), respectively. The net effect of including the beginning balances for capital assets (net of depreciation), long-term liabilities, and the net pension liability and related accounts in the governmental activities is to (decrease) net position.	73,540,749
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, as follows: <ul style="list-style-type: none"> <li>● Acquisition of capital assets was \$2,520,111.</li> <li>● Disposition of capital assets was (\$4,757,816) with \$3,531,971 of related accumulated depreciation.</li> <li>● Capital lease agreements entered into the current year were (\$266,674).</li> <li>● Principal payment on bonds payable was \$4,375,000 and on capital leases was \$60,607.</li> <li>● Amortization on premium was \$252,689 and deferred charge on refunding was (\$83,895).</li> <li>● Change in interest payable was \$811.</li> </ul> The net effect is to increase net position.	5,632,804
Transactions in the current year related to the District's TRS pension liability are as follows: <ul style="list-style-type: none"> <li>● Recognize a net (increase) in the District's proportionate share of the net pension liability in the amount of (\$556,484).</li> <li>● Recognize a net decrease in deferred inflows of resources in the amount of \$72,462.</li> <li>● Recognize a net (decrease) in deferred outflows of resources in the amount of (\$1,337,210).</li> </ul> The net effect is to (decrease) net position.	(1,821,232)
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.	(8,116,995)
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 \$1,767,761 and from prior year tax levy in the amount of \$627,674. The net effect is to increase net position.	2,395,435
<b>Net Position of Governmental Activities</b>	<u>\$ 114,383,113</u>

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

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT C-3

Data Control Codes	General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 15,965,817	\$ 2,247,851	\$ 106,306	\$ 18,319,974
5800 State Program Revenues	78,760,820	4,967,335	560,072	84,288,227
5900 Federal Program Revenues	12,468,360	-	13,213,305	25,681,665
5020 Total Revenues	<u>107,194,997</u>	<u>7,215,186</u>	<u>13,879,683</u>	<u>128,289,866</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	52,731,938	-	8,221,226	60,953,164
0012 Instructional Resources and Media Services	1,388,803	-	-	1,388,803
0013 Curriculum and Instructional Staff Development	1,239,817	-	3,135,628	4,375,445
0021 Instructional Leadership	2,341,351	-	417,045	2,758,396
0023 School Leadership	6,222,691	-	615,661	6,838,352
0031 Guidance, Counseling and Evaluation Services	3,672,543	-	134,855	3,807,398
0032 Social Work Services	1,257,807	-	54,487	1,312,294
0033 Health Services	1,328,043	-	77,029	1,405,072
0034 Student (Pupil) Transportation	1,699,255	-	79,439	1,778,694
0035 Food Services	8,498,130	-	46,613	8,544,743
0036 Extracurricular Activities	3,210,033	-	7,182	3,217,215
0041 General Administration	3,719,709	-	36,913	3,756,622
0051 Facilities Maintenance and Operations	11,563,778	-	300,921	11,864,699
0052 Security and Monitoring Services	2,513,603	-	1,140	2,514,743
0053 Data Processing Services	3,723,202	-	-	3,723,202
0061 Community Services	47,824	-	667,305	715,129
<b>Debt Service:</b>				
0071 Principal on Long Term Debt	60,607	4,375,000	-	4,435,607
0072 Interest on Long Term Debt	-	2,959,373	-	2,959,373
0073 Bond Issuance Cost and Fees	-	800	-	800
<b>Capital Outlay:</b>				
0081 Facilities Acquisition and Construction	2,031,699	-	-	2,031,699
<b>Intergovernmental:</b>				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	83,109	83,109
0095 Payments to Juvenile Justice Alternative Ed. Prg.	13,313	-	-	13,313
0099 Other Intergovernmental Charges	109,817	-	-	109,817
6030 Total Expenditures	<u>107,373,963</u>	<u>7,335,173</u>	<u>13,878,553</u>	<u>128,587,689</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(178,966)</u>	<u>(119,987)</u>	<u>1,130</u>	<u>(297,823)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	1,130,938	-	-	1,130,938
7913 Capital Leases	266,674	-	-	266,674
7915 Transfers In	-	-	22,122	22,122
8911 Transfers Out (Use)	(2,270,828)	-	-	(2,270,828)
7080 Total Other Financing Sources (Uses)	<u>(873,216)</u>	<u>-</u>	<u>22,122</u>	<u>(851,094)</u>
<b>EXTRAORDINARY ITEMS:</b>				
7919 Extraordinary Item - Resource	2,559,483	-	-	2,559,483
1200 Net Change in Fund Balances	1,507,301	(119,987)	23,252	1,410,566
0100 Fund Balance - September 1 (Beginning)	<u>36,082,203</u>	<u>2,461,555</u>	<u>23,910</u>	<u>38,567,668</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 37,589,504</u>	<u>\$ 2,341,568</u>	<u>\$ 47,162</u>	<u>\$ 39,978,234</u>

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

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 YEAR ENDED AUGUST 31, 2017

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 1,410,566</b>
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 gain of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	2,821,968
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, as follows:	5,632,804
<ul style="list-style-type: none"> <li>● Acquisition of capital assets was \$2,520,111.</li> <li>● Disposition of capital assets was (\$4,757,816) with \$3,531,971 of related accumulated depreciation.</li> <li>● Capital lease agreements entered into the current year were (\$266,674).</li> <li>● Principal payment on bonds payable was \$4,375,000 and on capital leases was \$60,607.</li> <li>● Amortization on premium was \$252,689 and deferred charge on refunding was (\$83,895).</li> <li>● Change in interest payable was \$811.</li> </ul>	
The net effect is to increase net position.	
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.	(8,116,995)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting, as follows:	149,656
<ul style="list-style-type: none"> <li>● Remove tax collections from prior year levies in the amount of (\$550,532).</li> <li>● Recognize unavailable revenue from the current year levy in the amount of \$627,674.</li> <li>● Increase tax revenue in the amount of \$72,514 for the difference between what was estimated in prior year and collected in the current year.</li> </ul>	
The net effect is an increase to the change in net position.	
Various adjustments necessary in the current year to record the District's pension liability were as follows:	(1,821,232)
<ul style="list-style-type: none"> <li>● Contributions made after the measurement date of August 31, 2016 were de-expended and recorded as deferred outflows of resources in the amount of \$2,809,709.</li> <li>● Deferred inflows and outflows of resources were amortized in the net amount of (\$1,067,721).</li> <li>● The District's proportionate share of various expenses in the amount of were (\$3,563,220) used by TRS to calculate the District's ending net pension liability.</li> </ul>	
The net effect is to (decrease) net position.	
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 76,767</b>

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

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## **Proprietary Fund Financial Statements**

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2017

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 3,719,423
Due from Other Funds	30
Other Receivables	554
Total Current Assets	<u>3,720,007</u>
Noncurrent Assets:	
Capital Assets:	
Furniture and Equipment	71,978
Accumulated Depreciation	<u>(35,052)</u>
Total Noncurrent Assets	<u>36,926</u>
Total Assets	<u>3,756,933</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	7,406
Short Term Claims Payable	422,532
Due to Other Funds	<u>2</u>
Total Current Liabilities	<u>429,940</u>
Noncurrent Liabilities:	
Claims Payable - Due in More than One Year	<u>552,875</u>
Total Noncurrent Liabilities	<u>552,875</u>
Total Liabilities	<u>982,815</u>
NET POSITION	
Net Investment in Capital Assets	36,926
Unrestricted Net Position	<u>2,737,192</u>
Total Net Position	<u>\$ 2,774,118</u>

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

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 4,511,843
Total Operating Revenues	<u>4,511,843</u>
OPERATING EXPENSES:	
Payroll Costs	148,114
Professional and Contracted Services	1,422,884
Supplies and Materials	39,887
Other Operating Costs	2,331,473
Depreciation Expense	<u>14,283</u>
Total Operating Expenses	<u>3,956,641</u>
Operating Income	<u>555,202</u>
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	<u>18,060</u>
Total Nonoperating Revenues (Expenses)	<u>18,060</u>
Income Before Transfers	573,262
Transfer In	<u>2,248,706</u>
Change in Net Position	2,821,968
Total Net Position - September 1 (Beginning)	<u>(47,850)</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 2,774,118</u></u>

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

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 143,954
Cash Received from Assessments - Other Funds	4,367,889
Cash Payments to Employees for Services	(148,114)
Cash Payments for Insurance Claims	(8,553,275)
Cash Payments for Suppliers	(70,047)
Net Cash Used for Operating Activities	(4,259,593)
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer In	2,248,706
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	18,060
Net Decrease in Cash and Cash Equivalents	(1,992,827)
Cash and Cash Equivalents at Beginning of Year	5,712,250
Cash and Cash Equivalents at End of Year	\$ 3,719,423
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income:	\$ 555,202
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:	
Depreciation	14,283
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease in Other Receivables	40,878
Increase (Decrease) in Accounts Payable	(811,275)
Increase (Decrease) in Claims Payable	(730,543)
Increase (Decrease) in Interfund Charges	(3,328,138)
Net Cash Used for Operating Activities	\$ (4,259,593)

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

## **Fiduciary Funds Financial Statements**

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2017

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 190,265	\$ 516,858
Due from Other Funds	-	48
Other Receivables	-	13,497
Total Assets	<u>190,265</u>	<u>\$ 530,403</u>
<b>LIABILITIES</b>		
Due to Other Funds	8,000	\$ 33,444
Due to Other Governments	-	111,064
Due to Student Groups	-	385,895
Total Liabilities	<u>8,000</u>	<u>\$ 530,403</u>
<b>NET POSITION</b>		
Unrestricted Net Position	<u>182,265</u>	
Total Net Position	<u>\$ 182,265</u>	

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

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 76,000
Total Additions	<u>76,000</u>
DEDUCTIONS:	
Other Operating Costs	35,200
Total Deductions	<u>35,200</u>
Change in Net Position	40,800
 Total Net Position - September 1 (Beginning)	 <u>141,465</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 182,265</u></u>

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

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**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 Board of Managers (the "Board") appointed by the Texas Education Agency (TEA) in May, 2016. 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 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, 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.

(Continued)



EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**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.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**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.

**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.

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.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 students.

**D. 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 materials 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 reflected 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.
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.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. OTHER ACCOUNTING POLICIES**

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.

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.
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.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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 August 31 (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.
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. Accrual of Foundation School Program Revenue – The State of Texas provides funding to districts based on instructional days, average daily attendance by fiscal year, and other factors. The academic year for the District typically begins before the start of the fiscal year (September 1). During this period expenditures are incurred that relate directly to revenues received in the subsequent fiscal year. Therefore, the District accrues State funded revenues to match the August days of instruction expenditures.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

12. 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 does not have an arbitrage liability at August 31, 2017.

13. 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.

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 District received legal settlements totaling \$2,559,483 in July and August 2017 from a general contractor related to the construction of Roosevelt and Las Palmas Elementary School campuses. The settlement proceeds were reported as an extraordinary item, and will be used to remediate the facilities.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

14. 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.
15. 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, there are both restricted and unrestricted resources 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.
16. 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.
17. 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.
18. 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.
19. 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.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**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 August 20<sup>th</sup>, the District prepares a budget for the next succeeding fiscal year beginning September 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 September 1<sup>st</sup>, 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.

The District exceeded the final amended budget for function 71 (principal on long term debt) in the general fund by \$60,607. Similarly, in the Child Nutrition Program expenditures in function 51 (facilities maintenance and operations) the District exceeded the final amended budget by \$31,950.



EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

Cash and cash equivalents of \$53,487,315 are comprised of the following:

	Governmental Funds					
	Major Funds				Proprietary Funds	Grand Total
	General Fund	Debt Service Fund	Other Funds	Total		
Cash and Cash Equivalents:						
Demand Accounts	\$ (1,086,868)	\$ 52,683	\$ 95,289	\$ (938,896)	\$ 3,719,423	\$ 2,780,527
Cash on Hand	5,100	-	-	5,100	-	5,100
Investment Pools	47,787,493	2,840,715	73,480	50,701,688	-	50,701,688
Total	\$ 46,705,725	\$ 2,893,398	\$ 168,769	\$ 49,767,892	\$ 3,719,423	\$ 53,487,315

**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 interest bearing accounts. Deposits were secured at the balance sheet date by FDIC coverage and pledged U.S. Government securities held by the Wells Fargo Bank 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 \$12,781,106 and occurred during August 2017.
- 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 \$15,025,349.

At August 31, 2017, the net carrying amount of the District's deposits was \$2,780,527 and the bank balance was \$4,022,446. The District's cash deposits at August 31, 2017 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.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

The fiduciary funds report the following balances as of August 31, 2017:

	Fiduciary Funds		
	Fiduciary Funds	Agency Funds	
	Private Purpose Trust	Student Activity Funds	Total
Cash and Cash Equivalents:			
Demand Accounts	\$ 91,488	\$ (75,614)	\$ 15,874
Investment Pools	98,777	592,472	691,249
Total	<u>\$ 190,265</u>	<u>\$ 516,858</u>	<u>\$ 707,123</u>

**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.

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 and \$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.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

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 Texas Local Government Investment Pool (TexPool), Lone Star Investment Pool (Lone Star), Texas Short Term Asset Reserve Fund (TexStar), and the Texas Cooperative Liquid Assets Securities System Trust (MBIA 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 pool is the same as the value of pool shares and does not include any unrealized gains and losses.

The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poors. As a requirement to maintain the rating weekly portfolio, information must be submitted to Standard & Poors, as well as the Office of the Comptroller of Public Accounts for review. Financial information for TexPool can be accessed on the Internet (<http://www.texpool.com>).

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 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.

TexStar is governed by a board of directors consisting of JP Morgan Fleming Asset Management, Inc., who acts as the investment manager, and First Southwest Asset Management, Inc., who acts as the customer services and marketing agent. TexStar is rated AAAM by Standard & Poor’s. Financial information for TexStar can be accessed on the Internet (<http://www.texstar.org>).

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

The MBIA CLASS is governed by a seven member Board of Trustees (Board). Cutwater Investor Services Corp. serves as the Program Administrators and Investment Advisor. The MBIA CLASS is rated AAAm by Standard & Poor's. Financial information for the MBIA CLASS can be obtained by writing Texas MBIA CLASS, 815-A Brazos Street, Suite 345, Austin, TX 78701 and 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 August 31, 2017.

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 August 31, 2017 for each investment.

As of August 31, 2017, the District had the following investments:

Investment	Fair Value	Weighted Average Maturity (Days)	* Standard & Poors Rating
Texpool	\$ 8,921,328	1	AAAm
The Lone Star Pool	32,845,082	1	AAA
TexStar	72,153	1	AAAm
The MBIA CLASS	9,554,374	1	AAAm
Total	<u>\$ 51,392,937</u>		

\* Minimum Legal Rating Requirement is AAA

\$691,249 of the investments are held in the District's fiduciary funds.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

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.

Because the District's investments are restricted by policy and State law to active secondary markets, the market approach is being 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 August 31, 2017, 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 1<sup>st</sup> on the assessed value listed as of the prior January 1<sup>st</sup> 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 1<sup>st</sup> of each year following the year in which imposed. On January 31<sup>st</sup> 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 \$0.1859, 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.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

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 September and October 2017 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 current year were 98% 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.

**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, Per Capita Programs, Instructional Facilities Allotment (IFA), and the Existing Debt Allotment (EDA) Program. Amounts due from state and federal governments as of August 31, 2017 are summarized below.

	General Fund	Other Funds	Total
State Entitlements and Grants	\$ 1,736,102	\$ 609,467	\$ 2,345,569
Federal Grants	171,728	3,084,687	3,256,415
Total	<u>\$ 1,907,830</u>	<u>\$ 3,694,154</u>	<u>\$ 5,601,984</u>

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. DUE TO/FROM OTHER FUNDS**

Interfund balances at August 31, 2017 consisted of the following:

	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Debt Service Fund	\$ -	\$ 31,433
Other Funds	3,382,540	-
Internal Service Funds	2	-
Fiduciary Funds	41,414	48
General Fund	3,423,956	31,481
Debt Service Fund:		
General Fund	31,433	-
Other Funds:		
General Fund	-	3,382,540
Total Governmental Funds	<u>3,455,389</u>	<u>3,414,021</u>
Internal Service Funds:		
Fiduciary Funds	30	-
General Fund	-	2
Total Internal Service Funds	<u>30</u>	<u>2</u>
Fiduciary Funds:		
General Fund	48	41,414
Internal Service Funds	-	30
Total Fiduciary Funds	<u>48</u>	<u>41,444</u>
Total	<u>\$ 3,455,467</u>	<u>\$ 3,455,467</u>

The receivables recorded in the General Fund represent a loan from other non-major governmental funds to cover expenditures, which have not yet been reimbursed by various local, state, and federal grants.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**E. TRANSFERS IN/OUT**

Transfers during the year ended August 31, 2017 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Internal Service Funds	\$ -	\$ 2,248,706
Other Funds	-	22,122
Other Funds:		
General Fund	<u>22,122</u>	<u>-</u>
Total Governmental Funds	<u>21,122</u>	<u>2,270,828</u>
Internal Service Funds:		
General Fund	<u>2,248,706</u>	<u>-</u>
Total Internal Service Funds	<u>2,248,706</u>	<u>-</u>
Total	<u>\$ 2,270,828</u>	<u>\$ 2,270,828</u>

A transfer out of the General Fund to the Internal Service Fund was to supplement the Medical Claims Fund. Additionally, a transfer out of the General Fund to Other Funds was to account for grants and donations received for various campuses and groups which were previously accounted for in the General Fund.



EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**F. CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2017, was as follows:

	Beginning Balance	Additions	Disposals	Transfer	Ending Balance
Governmental Activities:					
Capital Assets Not Being Depreciated:					
Land and Land improvements	\$ 3,931,846	\$ -	\$ (44,404)	\$ -	\$ 3,887,442
Construction in Progress	-	1,689,248	-	-	1,689,248
Total Capital Assets Not Being Depreciated	3,931,846	1,689,248	(44,404)	-	5,576,690
Capital Assets Being Depreciated:					
Buildings and Improvements	264,441,993	75,777	(3,573,868)	-	260,943,902
Furniture and Equipment	22,882,136	488,412	(1,139,544)	962,024	23,193,028
Property Under Capital Lease	962,024	266,674	-	(962,024)	266,674
Total Capital Assets Being Depreciated	288,286,153	830,863	(4,713,412)	-	284,403,604
Less Accumulated Depreciation for:					
Buildings and Improvements	(106,904,272)	(6,466,947)	2,525,187	-	(110,846,032)
Furniture and Equipment	(16,627,876)	(1,623,926)	1,006,784	(577,211)	(17,822,229)
Property Under Capital Lease	(577,211)	(40,405)	-	577,211	(40,405)
Total Accumulated Depreciation	(124,109,359)	(8,131,278)	3,531,971	-	(128,708,666)
Total Capital Assets Being Depreciated, Net	164,176,794	(7,300,415)	(1,181,441)	-	155,694,938
Governmental Activities Capital Assets, Net	\$ 168,108,640	\$ (5,611,167)	\$ (1,225,845)	\$ -	\$ 161,271,628

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 4,008,784
Instructional Resources	284,801
Curriculum & Instructional Staff Development	11,794
Instructional Leadership	29,135
School Leadership	258,183
Guidance, Counseling & Evaluation Services	51,385
Social Work Services	1,201
Health Services	32,489
Student Transportation	384,412
Food Service	735,784
Extracurricular Activities	1,214,552
General Administrative	7,543
Plant & Operations Facilities	700,900
Security & Monitoring Services	65,112
Data Processing	299,869
Community Service	45,334
Total Depreciation Expense – Governmental Activities	<u>\$ 8,131,278</u>

**G. 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 and voted 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 \$4,967,334 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)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**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 August 31, 2017, there were no outstanding defeased bonds.

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 August 31, 2017.

A summary of changes in bonds payable for the year ended August 31, 2017 is as follows:

Description	Original Balance	Int. Rates	Final Maturity	Amount Outstanding 09/01/16	Additions	Payments	Amount Outstanding 08/31/17	Due Within One Year
<b>Bonds Payable</b>								
Unlimited Tax School Building Bonds – Series 2009	\$ 1,035,000	4.95%	2024	\$ 640,000	\$ -	\$ (65,000)	\$ 575,000	\$ 70,000
Unlimited Tax Refunding Bonds – Series 2011	29,880,000	2.00- 5.00%	2031	29,880,000	-	(1,475,000)	28,405,000	1,515,000
Unlimited Tax Refunding Bonds – Series 2013	39,845,000	2.00- 5.00%	2034	34,980,000	-	(1,905,000)	33,075,000	1,990,000
Unlimited Tax Refunding Bonds – Series 2014	6,695,000	2.00- 5.00%	2023	4,390,000	-	(930,000)	3,460,000	900,000
Total Bonds Payable				<u>\$ 69,890,000</u>	<u>\$ -</u>	<u>\$ (4,375,000)</u>	<u>\$ 65,515,000</u>	<u>\$ 4,475,000</u>

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)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

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

Year Ending August 31,	Principal	Interest	Total
2018	\$ 4,475,000	\$ 2,818,306	\$ 7,293,306
2019	4,015,000	2,671,318	6,686,318
2020	4,010,000	2,526,856	6,536,856
2021	4,150,000	2,379,121	6,529,121
2022	3,940,000	2,208,213	6,148,213
2023-2027	18,980,000	8,457,334	27,437,334
2028-2032	20,675,000	3,609,520	24,284,520
2033-2034	5,270,000	219,615	5,489,615
	<u>\$ 65,515,000</u>	<u>\$ 24,890,283</u>	<u>\$ 90,405,283</u>

**Capital Leases Payable**

Master Lease/Purchase Agreement

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 (equipment). The agreement meets the definition of a capital lease for accounting purpose; therefore, was 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 monthly 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 and the related amortization is included in accumulated depreciation/amortization in the amount of \$40,405 in property under capital lease.

The schedule changes for the master lease/purchase agreement is as follows:

Description	Purpose	Interest Rate Payable	Final Maturity	Amount Original Issue	Amount Outstanding 09/01/16	Additions	Retired	Amount Outstanding 08/31/17	Due Within One Year
Dell Financial Services LLC	IT Equip	6.83%	2020	\$ 266,674	\$ -	\$ 266,674	\$ 60,607	\$ 206,067	\$ 46,527

The following is a schedule of the future minimum lease payments for the master lease/purchase agreement together with the present value of the net minimum lease payments at August 31, 2017.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

Year Ending August 31,	Amount
2018	\$ 60,607
2019	60,607
2020	60,607
2021	60,607
Total Minimum Lease Payments	242,428
Less: Amount Representing Interest	(36,361)
Present Value of Future Minimum Lease Payments	<u>\$ 206,067</u>

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended August 31, 2017, was as follows:

Governmental Activities:	Amount Outstanding 09/01/16	Additions	Reductions	Amount Outstanding 08/31/17	Due Within One Year
Bonds Payable	\$ 69,890,000	\$ -	\$ (4,375,000)	\$ 65,515,000	\$ 4,475,000
Unamortized Premiums	4,959,438	-	(252,689)	4,706,749	-
Capital Lease	-	266,674	(60,607)	206,067	46,527
Total	<u>74,849,438</u>	<u>266,674</u>	<u>(4,688,296)</u>	<u>70,427,816</u>	<u>4,521,527</u>
Other liabilities:					
Worker's Compensation	684,299	869,597	(632,437)	921,459	368,584
Health Claims	1,021,651	2,331,463	(3,299,166)	53,948	53,948
Total other liabilities	<u>1,705,950</u>	<u>3,201,060</u>	<u>(3,931,603)</u>	<u>975,407</u>	<u>422,532</u>
Total Governmental activities					
Long-term liabilities	<u>\$ 76,555,388</u>	<u>\$ 3,467,734</u>	<u>\$ (8,619,899)</u>	<u>\$ 71,403,223</u>	<u>\$ 4,944,059</u>

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. UNEARNED REVENUES AND DEFERRED INFLOWS**

Unearned revenues as of August 31, 2017, consisted of the following:

	Major Funds			
	General Fund	Debt Service Fund	Other Funds	Total
Grant Funds Received But Not Expended	\$ 2,482,460	\$ 594,775	\$ 52,586	\$ 3,129,821

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 August 31, 2017, 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	\$ 2,041,170	\$ 354,265	\$ 2,395,435

The unavailable revenue of \$2,395,435 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)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**I. LOCAL AND INTERMEDIATE SOURCES**

For the year ended August 31, 2017, 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	\$ 13,495,369	\$ 2,148,963	\$ -	\$ 15,644,332
Penalties, Interest, and Other Tax-Related Income	327,743	55,470	-	383,213
Tuition & Fees	2,330	-	-	2,330
Investment Income	445,708	43,418	1,130	490,256
Rent	199,550	-	-	199,550
Donations and Local Grants	-	-	105,176	105,176
Insurance Recovery	9,015	-	-	9,015
Food Service Activity	330,559	-	-	330,559
Athletic Activity	154,226	-	-	154,226
Transportation	275,710	-	-	275,710
COSA-Pre K for SA Program	87,354	-	-	87,354
Utility Rebate	303,140	-	-	303,140
Cooperative Rebate	53,393	-	-	53,393
After School Challenge Program	185,837	-	-	185,837
Other	95,883	-	-	95,883
Total	\$ 15,965,817	\$ 2,247,851	\$ 106,306	\$ 18,319,974

Revenues from local and intermediate sources in the proprietary funds consisted of \$4,511,843 for user charges.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**J. GENERAL FUND FEDERAL REVENUES**

For the year ended August 31, 2017, revenues from federal programs included in the General Fund consisted of the following:

Program or Source	CFDA Number	Amount
School Health and Related Services (SHARS)	N/A	\$ 2,796,958
ROTC	12.xxx	96,967
E-Rate	N/A	782,380
Medicaid Administrative Claiming Program	93.778	62,589
National School Breakfast Program	10.553	2,443,496
National School Lunch Program	10.555	5,076,608
USDA Donated Commodities	N/A	240,298
Fresh Fruits & Vegetables	N/A	75,051
Indirect Cost* :		
National School Lunch Program	10.555	236,653
ESEA Title I, Part A Programs	84.010A	420,127
IDEA-B Formula	84.027A	150,668
IDEA-B Preschool	84.173A	(1,086)
Title II, Part A, TPTR	84.367A	83,588
Title III, Part A, LEP	84.365A	4,063
TOTAL		<u>\$ 12,468,360</u>

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

**K. 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.

(Continued)



EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

During fiscal year 2017, a total of \$949,662 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:

Minimum loss fund for the liability period:	\$2,689,566
Maximum limit of indemnity of the District for the liability period:	\$1,000,000

Claims payable reported in the amount of \$921,459 was actuarially 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 a 3% discount to reflect potential future investment income on funds held.

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

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
2014-2015	917,362	399,489	(489,622)	827,229
2015-2016	827,229	275,505	(418,435)	684,299
2016-2017	684,299	869,597	(632,437)	921,459

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**L. 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). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The 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 [http://www.trs.state.tx.gov/TRS%20Documents/cafr 2016.pdf](http://www.trs.state.tx.gov/TRS%20Documents/cafr%202016.pdf); 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 2016 Comprehensive Annual Financial Report for TRS provides the following information regarding the Plan's fiduciary net position as of August 31, 2016.

Net Pension Liability	Total
Total Pension Liability	\$ 171,797,150,487
Less: Plan Fiduciary Net Position	(134,008,637,473)
Net Pension Liability	<u>\$ 37,788,513,014</u>
Net Position as percentage of Total Pension Liability	78.00%

**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.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**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 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	Contribution Rates & Amounts	
	2016	2017
Member	7.2%	7.7%
Non-Employer Contributing Entity (NECE) (State)	6.8%	6.8%
Employer	6.8%	6.8%
Member (Employee) Contributions (1)	\$ 5,440,704	\$ 5,974,383
NECE On-Behalf Contributions (2)	\$ 3,462,515	\$ 3,266,455
Employer (District) Contributions (2)	\$ 2,672,810	\$ 2,825,698

(1) Amounts obtained from District's records

(2) 2016 amounts provided by TRS; 2017 amounts obtained from District's records

Contributions 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 of all of an employee's salary is paid by federal funding sources, or another privately sponsored source.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad HOC Post-Employment Benefit Changes	None

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

**Discount Rate.** The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on Plan's investments is 8%. 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 geometric real rates of return for each major asset class included in the TRS's target asset allocation as of August 31, 2016 are summarized below:

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	-	1.8%	-
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	-
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	-
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	-	1.2%	-
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation	-	-	2.2%
Alpha	-	-	1.0%
<b>Total</b>	<b>100%</b>	<b>51.6%</b>	<b>8.7%</b>

\* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1 % Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$ 49,198,573	\$ 31,788,942	\$ 17,022,055

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2017, the District reported a liability of \$31,788,942 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	\$ 31,788,942
State's proportionate share that is associated with the District	<u>41,099,516</u>
Total	<u>\$ 72,888,458</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the Plan relative to the contributions of all employers to the Plan for the period September 1, 2015 through August 31 2016.

At August 31, 2016, the employer's proportion of the collective net pension liability was 0.0841233% which is a decrease of (0.0042321%) from its proportion measured as of August 31, 2015.

**Changes Since the Prior Actuarial Valuation**

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period. Refer to the notes to the Schedule of the District's Proportionate Share of the Net Pension Liability (Exhibit G-6) at page 62 for a list of significant actuarial assumptions and other inputs that affected the measurement of the total pension liability.

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

For the year ended August 31, 2017, the District recognized pension expense of \$4,265,150 and revenue of \$4,265,150 for support provided by the State. At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Amount
Differences between expected and actual economic experience	\$ 498,445	\$ (979,199)	\$ (480,754)
Changes in actuarial assumptions	968,870	(881,147)	87,723
Differences between projected and actual investment earnings	2,691,822	-	2,691,822
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	4,133,609	(391,949)	3,741,660
Total	<u>\$ 8,292,746</u>	<u>\$(2,252,295)</u>	<u>\$ 6,070,451</u>

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 August 31,	Pension Expense Amount
2018	\$ 1,024,590
2019	1,024,590
2020	2,741,565
2021	892,673
2022	403,214
Thereafter	(16,181)
Total	<u>\$ 6,070,451</u>

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Totals as of the measurement date (8/31/2016)	\$ 8,292,746	\$ (2,252,295)
Contributions paid to TRS subsequent to the measurement date	2,809,709	-
Total As Reported at August 31, 2017	<u>\$ 11,102,455</u>	<u>\$ (2,252,295)</u>

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**M. SCHOOL DISTRICT RETIREE HEALTH PLAN**

Plan Description. The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us), by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016, and 2015. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

Contributions made by the State on behalf of the District are recorded in the financial statements as both revenues and expenditures. The contributions to TRS-Care made by the State on behalf of the District, active employees, and the District for years ended August 31, 2017, 2016, and 2015 are as follows:

Fiscal Year	On-Behalf State Contribution	District Annual Required Contribution (ARC)	Percentage of ARC Contribution	Active Member's Contribution
2017	\$ 775,894	\$ 541,915	100%	\$ 504,330
2016	755,653	526,231	100%	491,175
2015	732,341	402,788	100%	476,015

The District's annual contributions equaled the required contributions for each year, respectively. Revenue and expenditures equal to the amount paid by the State of Texas for on-behalf fringe benefits were recognized during the fiscal year.

(Continued)



EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

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 \$230,559, \$292,791, and \$227,197 for fiscal years 2017, 2016, and 2015, 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**

The District has a self-insurance program that was implemented in January 2014; and, as of December 31, 2016, the Plan transitioned to a fully insured Plan. The District contributed \$321.50 per month for each employee to the plan (\$320 for health care and \$1.50 for life insurance) towards the cost of insurance. Employees, at their option, authorize payroll deductions to pay for health care premiums in excess of the amount provided by the District and for elective insurance coverage for dependents. The plan was authorized by Subtitle D of the Texas Education Code, and Article 3.51-2 of the Texas Insurance Code and was documented by contractual agreement.

The District has 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 during the fiscal year ended August 31, 2017. Under this program, the District provides coverage for up to a maximum of \$200,000 per claim. The District purchases stop-loss coverage which provides a maximum limit of \$1,000,000. During fiscal year 2017, a total of \$2,850,589 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. The District funds the health insurance fund through a payment of \$320 per month per covered employee. The employee may elect coverage under different plan options and may 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 participate in the program. The “Premiums” and available net resources are used to pay claims, administrative costs of the program and to establish future claim reserves.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

The cost of the coverage options under the self-insured plan was as follows:

Cost per Month	Low-Option	Mid-Option	High-Option
Employee Only	\$ 371	\$ 422	\$ 508
Employee and Spouse	961	1,084	1,288
Employee and Children	810	915	1,089
Employee and Family	1,439	1,618	1,918

Claims payable reported in the amount of \$53,948 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. Health claims are expected to be liquidated in one-year and accordingly are reported as current liabilities.

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	Claims Payments	End of Year Liability
2015	\$ 1,005,159	\$ 8,203,647	\$ (8,240,381)	\$ 968,425
2016	\$ 968,425	\$ 9,602,771	\$ (9,549,545)	\$ 1,021,651
2017	\$ 1,021,651	\$ 1,363,759	\$ (2,331,462)	\$ 53,948

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, the District contributed a range of \$226.35 to \$344.35 per month for each employee to the plan (\$1.35 of the contribution was for life insurance). Employees, at their option, authorize payroll deductions to pay for health insurance premiums for dependents. Total premiums for health care coverage for the fully insured plan during the year were \$5,354,919.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2017

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**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 August 31, 2017, 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 \$9,636,914.

## **REQUIRED SUPPLEMENTARY INFORMATION**

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-1

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
		Original	Final	(GAAP BASIS)	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 18,091,331	\$ 16,255,381	\$ 15,965,817	\$ (289,564)
5800	State Program Revenues	86,144,267	81,139,638	78,760,820	(2,378,818)
5900	Federal Program Revenues	12,314,533	12,314,533	12,468,360	153,827
5020	Total Revenues	116,550,131	109,709,552	107,194,997	(2,514,555)
EXPENDITURES:					
Current:					
0011	Instruction	57,255,923	54,172,574	52,731,938	1,440,636
0012	Instructional Resources and Media Services	1,391,049	1,491,049	1,388,803	102,246
0013	Curriculum and Instructional Staff Development	1,119,383	1,774,441	1,239,817	534,624
0021	Instructional Leadership	2,402,593	2,457,593	2,341,351	116,242
0023	School Leadership	6,253,321	6,309,137	6,222,691	86,446
0031	Guidance, Counseling and Evaluation Services	3,848,834	3,848,834	3,672,543	176,291
0032	Social Work Services	1,394,633	1,394,633	1,257,807	136,826
0033	Health Services	1,519,523	1,519,523	1,328,043	191,480
0034	Student (Pupil) Transportation	1,793,114	1,993,114	1,699,255	293,859
0035	Food Services	9,205,804	9,205,804	8,498,130	707,674
0036	Extracurricular Activities	3,446,685	3,446,685	3,210,033	236,652
0041	General Administration	4,073,757	4,273,757	3,719,709	554,048
0051	Facilities Maintenance and Operations	12,172,918	12,225,550	11,563,778	661,772
0052	Security and Monitoring Services	2,471,104	2,680,119	2,513,603	166,516
0053	Data Processing Services	4,255,018	4,375,622	3,723,202	652,420
0061	Community Services	60,728	79,936	47,824	32,112
Debt Service:					
0071	Principal on Long Term Debt	7,502,493	-	60,607	(60,607)
0072	Interest on Long Term Debt	-	64,120	-	64,120
Capital Outlay:					
0081	Facilities Acquisition and Construction	380,000	2,691,584	2,031,699	659,885
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	55,000	75,000	13,313	61,687
0099	Other Intergovernmental Charges	120,000	140,000	109,817	30,183
6030	Total Expenditures	120,721,880	114,219,075	107,373,963	6,845,112
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,171,749)	(4,509,523)	(178,966)	4,330,557
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	1,130,938	1,130,938
7913	Capital Leases	-	-	266,674	266,674
8911	Transfers Out (Use)	-	-	(2,270,828)	(2,270,828)
8949	Other (Uses)	-	(1,200,000)	-	1,200,000
7080	Total Other Financing Sources (Uses)	-	(1,200,000)	(873,216)	326,784
EXTRAORDINARY ITEMS:					
7919	Extraordinary Item - Resource	-	-	2,559,483	2,559,483
1200	Net Change in Fund Balances	(4,171,749)	(5,709,523)	1,507,301	7,216,824
0100	Fund Balance - September 1 (Beginning)	36,082,203	36,082,203	36,082,203	-
3000	Fund Balance - August 31 (Ending)	\$ 31,910,454	\$ 30,372,680	\$ 37,589,504	\$ 7,216,824

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-6

	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.0841233%	0.0883554%	0.0665579%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 31,788,942	\$ 31,232,458	\$ 17,778,536
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	41,099,516	39,562,339	33,597,581
Total	<u>\$ 72,888,458</u>	<u>\$ 70,794,797</u>	<u>\$ 51,376,117</u>
District's Covered-Employee Payroll	\$ 75,565,307	\$ 73,234,062	\$ 70,939,043
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	42.07%	42.65%	25.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.35%	78.43%	83.25%

Notes to Schedule:

The District implemented GASB Statement No. 68 in fiscal year 2015; therefore, only three years of data is presented. The 10-year required information will be presented as it becomes available.

In accordance with GASB 68, Paragraph 81, the information on this schedule is data from the period corresponding with the periods covered as of the measurement dates of August 31, 2016 for fiscal year 2017; August 31, 2015 for fiscal year 2016; and, August 31, 2014 for fiscal year 2015.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For The Year Ended August 31, 2017

Following are noted to Exhibit G-6 at page 62:

*Changes of Benefit Terms*

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

*Changes of Assumptions*

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

*Significant Assumptions*

The following are significant actuarial assumptions and other inputs that affected the measurement of the total pension liability:

*Economic Assumptions*

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

*Mortality Assumptions*

5. The active mortality rates were based on 90% of the RP 2014 Employee Mortality Tables for males and females.
6. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

*Actuarial Methods and Policies*

7. The method of using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source, remains the same.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-7

	2017	2016	2015
Contractually Required Contribution	\$ 2,809,709	\$ 2,650,371	\$ 2,595,027
Contribution in Relation to the Contractually Required Contribution	(2,809,709)	(2,650,371)	(2,595,027)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 77,589,381	\$ 75,565,307	\$ 73,234,062
Contributions as a Percentage of Covered-Employee Payroll	3.62%	3.51%	3.50%

Notes to Schedule:

The District implemented GASB 68 in fiscal year 2015; therefore, only three years of data is presented. The 10-year required information will be presented as it becomes available.

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.



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## **OTHER SUPPLEMENTARY INFORMATION**

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## **Combining and Individual Fund Statements**

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## **Non Major Governmental Funds**

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2017

Data Control Codes		205	206	211	224
		Head Start	ESEA X, Pt C Homeless Education	ESEA I, Pt A Improving Basic Program	IDEA, Part B Formula
	ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	292,667	-	1,539,960	618,441
1000	Total Assets	<u>\$ 292,667</u>	<u>\$ -</u>	<u>\$ 1,539,960</u>	<u>\$ 618,441</u>
	LIABILITIES				
2110	Accounts Payable	\$ 27,366	\$ -	\$ 25,419	\$ 20,479
2160	Accrued Wages Payable	108,268	-	16,542	63,053
2170	Due to Other Funds	146,246	-	1,496,389	528,855
2200	Accrued Expenditures	10,787	-	1,610	6,054
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>292,667</u>	<u>-</u>	<u>1,539,960</u>	<u>618,441</u>
	FUND BALANCES				
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 292,667</u>	<u>\$ -</u>	<u>\$ 1,539,960</u>	<u>\$ 618,441</u>

225 IDEA, Part B Preschool	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II, Pt A Training & Recruiting	263 Title III, A English Lang Acquisition	274 GEAR UP	289 Summer School LEP	385 Visually Impaired SSVI
\$ - 14,338	\$ 5,596 -	\$ - 153,601	\$ - 337,849	\$ - 127,563	\$ - 268	\$ - -	\$ - -
<u>\$ 14,338</u>	<u>\$ 5,596</u>	<u>\$ 153,601</u>	<u>\$ 337,849</u>	<u>\$ 127,563</u>	<u>\$ 268</u>	<u>\$ -</u>	<u>\$ -</u>
\$ - - 14,338 - -	\$ - - - - -	\$ 34,015 - 119,586 - -	\$ 4,572 - 333,277 - -	\$ - - 127,563 - -	\$ 244 - 24 - -	\$ - - - - -	\$ - - - - -
<u>14,338</u>	<u>-</u>	<u>153,601</u>	<u>337,849</u>	<u>127,563</u>	<u>268</u>	<u>-</u>	<u>-</u>
- - -	5,596 - -	- - -	- - -	- - -	- - -	- - -	- - -
<u>-</u>	<u>5,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 14,338</u>	<u>\$ 5,596</u>	<u>\$ 153,601</u>	<u>\$ 337,849</u>	<u>\$ 127,563</u>	<u>\$ 268</u>	<u>\$ -</u>	<u>\$ -</u>



EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2017

Data Control Codes		397 Advanced Placement Incentives	401 Optional Extended Year Program	410 State Textbook Fund	429 Other State Special Revenue Funds
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ 11,289	\$ -	\$ -
1240	Receivables from Other Governments	-	-	446,673	162,794
1000	Total Assets	<u>\$ -</u>	<u>\$ 11,289</u>	<u>\$ 446,673</u>	<u>\$ 162,794</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 61,263
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	446,673	101,531
2200	Accrued Expenditures	-	-	-	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>446,673</u>	<u>162,794</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	11,289	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>11,289</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 11,289</u>	<u>\$ 446,673</u>	<u>\$ 162,794</u>

499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	698 Capital Projects Fund	699 Capital Projects Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 75,671	\$ 92,556	\$ 1,328	\$ 74,885	\$ 76,213	\$ 168,769
-	3,694,154	-	-	-	3,694,154
<u>\$ 75,671</u>	<u>\$ 3,786,710</u>	<u>\$ 1,328</u>	<u>\$ 74,885</u>	<u>\$ 76,213</u>	<u>\$ 3,862,923</u>
\$ 963	\$ 174,321	\$ -	\$ -	\$ -	\$ 174,321
-	187,863	-	-	-	187,863
-	3,314,482	-	68,058	68,058	3,382,540
-	18,451	-	-	-	18,451
52,586	52,586	-	-	-	52,586
<u>53,549</u>	<u>3,747,703</u>	<u>-</u>	<u>68,058</u>	<u>68,058</u>	<u>3,815,761</u>
-	16,885	-	-	-	16,885
-	-	1,328	6,827	8,155	8,155
22,122	22,122	-	-	-	22,122
<u>22,122</u>	<u>39,007</u>	<u>1,328</u>	<u>6,827</u>	<u>8,155</u>	<u>47,162</u>
<u>\$ 75,671</u>	<u>\$ 3,786,710</u>	<u>\$ 1,328</u>	<u>\$ 74,885</u>	<u>\$ 76,213</u>	<u>\$ 3,862,923</u>

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	205  Head Start	206 ESEA X, Pt C Homeless Education	211 ESEA I, Pt A Improving Basic Program	224 IDEA, Part B Formula
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	4,124,646	15,498	5,251,583	1,883,348
5020 Total Revenues	4,124,646	15,498	5,251,583	1,883,348
EXPENDITURES:				
Current:				
0011 Instruction	2,946,736	13,400	2,584,607	1,563,753
0013 Curriculum and Instructional Staff Development	100	-	1,616,013	225,480
0021 Instructional Leadership	-	2,098	370,352	3,367
0023 School Leadership	590,007	-	120	-
0031 Guidance, Counseling and Evaluation Services	59,876	-	3,500	7,904
0032 Social Work Services	-	-	52,000	-
0033 Health Services	76,189	-	840	-
0034 Student (Pupil) Transportation	79,439	-	-	-
0035 Food Services	45,619	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	30,348	-	-	-
0051 Facilities Maintenance and Operations	272,426	-	27,785	-
0052 Security and Monitoring Services	-	-	1,140	-
0061 Community Services	23,906	-	512,117	82,844
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	83,109	-
6030 Total Expenditures	4,124,646	15,498	5,251,583	1,883,348
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

225 IDEA, Part B Preschool	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II, Pt A Training & Recruiting	263 Title III, A English Lang Acquisition	274 GEAR UP	289 Summer School LEP	385 Visually Impaired SSVI
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-	-	-	7,560
33,088	-	233,590	1,044,847	203,175	413,305	10,225	-
33,088	-	233,590	1,044,847	203,175	413,305	10,225	7,560
33,088	-	168,659	-	175,567	255,512	10,225	7,560
-	-	64,931	1,043,587	27,608	50,882	-	-
-	-	-	175	-	41,053	-	-
-	-	-	1,085	-	24,449	-	-
-	-	-	-	-	27,423	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	13,986	-	-
-	-	-	-	-	-	-	-
33,088	-	233,590	1,044,847	203,175	413,305	10,225	7,560
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	5,596	-	-	-	-	-	-
\$ -	\$ 5,596	\$ -	\$ -	\$ -	\$ -	\$ -	-

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	397 Advanced Placement Incentives	401 Optional Extended Year Program	410 State Textbook Fund	429 Other State Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	12,460	-	19,118	518,484
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	12,460	-	19,118	518,484
EXPENDITURES:				
Current:				
0011 Instruction	-	-	19,118	399,193
0013 Curriculum and Instructional Staff Development	12,460	-	-	89,177
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	-	-	30,114
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	12,460	-	19,118	518,484
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	11,289	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 11,289	\$ -	\$ -

499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	698 Capital Projects Fund	699 Capital Projects Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 105,176	\$ 105,176	\$ 659	\$ 471	\$ 1,130	\$ 106,306
2,450	560,072	-	-	-	560,072
-	13,213,305	-	-	-	13,213,305
107,626	13,878,553	659	471	1,130	13,879,683
43,808	8,221,226	-	-	-	8,221,226
5,390	3,135,628	-	-	-	3,135,628
-	417,045	-	-	-	417,045
-	615,661	-	-	-	615,661
36,152	134,855	-	-	-	134,855
2,487	54,487	-	-	-	54,487
-	77,029	-	-	-	77,029
-	79,439	-	-	-	79,439
994	46,613	-	-	-	46,613
7,182	7,182	-	-	-	7,182
6,565	36,913	-	-	-	36,913
710	300,921	-	-	-	300,921
-	1,140	-	-	-	1,140
4,338	667,305	-	-	-	667,305
-	83,109	-	-	-	83,109
107,626	13,878,553	-	-	-	13,878,553
-	-	659	471	1,130	1,130
22,122	22,122	-	-	-	22,122
22,122	22,122	659	471	1,130	23,252
-	16,885	669	6,356	7,025	23,910
\$ 22,122	\$ 39,007	\$ 1,328	\$ 6,827	\$ 8,155	\$ 47,162

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## **Internal Service Funds**



EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 AUGUST 31, 2017

	750 Health Claims Fund	752 Print Shop	753 Workers Compensation Fund	Total Internal Service Funds
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,207,831	\$ 31,000	\$ 2,480,592	\$ 3,719,423
Due from Other Funds	-	30	-	30
Other Receivables	554	-	-	554
Total Current Assets	<u>1,208,385</u>	<u>31,030</u>	<u>2,480,592</u>	<u>3,720,007</u>
Noncurrent Assets:				
Capital Assets:				
Furniture and Equipment	-	71,978	-	71,978
Accumulated Depreciation	-	(35,052)	-	(35,052)
Total Noncurrent Assets	<u>-</u>	<u>36,926</u>	<u>-</u>	<u>36,926</u>
Total Assets	<u>1,208,385</u>	<u>67,956</u>	<u>2,480,592</u>	<u>3,756,933</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	-	7,406	-	7,406
Short Term Claims Payable	53,948	-	368,584	422,532
Due to Other Funds	-	-	2	2
Total Current Liabilities	<u>53,948</u>	<u>7,406</u>	<u>368,586</u>	<u>429,940</u>
NonCurrent Liabilities:				
Claims Payable - Due in More than One Year	-	-	552,875	552,875
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>552,875</u>	<u>552,875</u>
Total Liabilities	<u>53,948</u>	<u>7,406</u>	<u>921,461</u>	<u>982,815</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	-	36,926	-	36,926
Unrestricted Net Position	<u>1,154,437</u>	<u>23,624</u>	<u>1,559,131</u>	<u>2,737,192</u>
Total Net Position	<u>\$ 1,154,437</u>	<u>\$ 60,550</u>	<u>\$ 1,559,131</u>	<u>\$ 2,774,118</u>

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2017

	750 Health Claims Fund	752 Print Shop	753 Workers Compensation Fund	Total Internal Service Funds
OPERATING REVENUES:				
Local and Intermediate Sources	\$ 2,610,346	\$ 143,954	\$ 1,757,543	\$ 4,511,843
Total Operating Revenues	<u>2,610,346</u>	<u>143,954</u>	<u>1,757,543</u>	<u>4,511,843</u>
OPERATING EXPENSES:				
Payroll Costs	-	68,549	79,565	148,114
Professional and Contracted Services	519,127	34,160	869,597	1,422,884
Supplies and Materials	-	39,397	490	39,887
Other Operating Costs	2,331,463	-	10	2,331,473
Depreciation Expense	-	14,283	-	14,283
Total Operating Expenses	<u>2,850,590</u>	<u>156,389</u>	<u>949,662</u>	<u>3,956,641</u>
Operating Income (Loss)	<u>(240,244)</u>	<u>(12,435)</u>	<u>807,881</u>	<u>555,202</u>
NONOPERATING REVENUES (EXPENSES):				
Earnings from Temporary Deposits & Investments	-	-	18,060	18,060
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>18,060</u>	<u>18,060</u>
Income (Loss) Before Transfers	(240,244)	(12,435)	825,941	573,262
Transfer In	<u>2,248,706</u>	<u>-</u>	<u>-</u>	<u>2,248,706</u>
Change in Net Position	2,008,462	(12,435)	825,941	2,821,968
Total Net Position - September 1 (Beginning)	<u>(854,025)</u>	<u>72,985</u>	<u>733,190</u>	<u>(47,850)</u>
Total Net Position August 31 (Ending)	<u>\$ 1,154,437</u>	<u>\$ 60,550</u>	<u>\$ 1,559,131</u>	<u>\$ 2,774,118</u>

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

	750 Health Claims Fund	752 Print Shop	753 Workers Compensation Fund	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ -	\$ 143,954	\$ -	\$ 143,954
Cash Received from Assessments - Other Funds	2,610,346	-	1,757,543	4,367,889
Cash Payments to Employees for Services	-	(68,549)	(79,565)	(148,114)
Cash Payments for Insurance Claims	(7,918,930)	-	(634,345)	(8,553,275)
Cash Payments for Suppliers	-	(70,047)	-	(70,047)
Net Cash Provided by (Used for) Operating Activities	(5,308,584)	5,358	1,043,633	(4,259,593)
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Operating Transfer In	2,248,706	-	-	2,248,706
<u>Cash Flows from Investing Activities:</u>				
Interest and Dividends on Investments	-	-	18,060	18,060
Net Increase (Decrease) in Cash and Cash Equivalents	(3,059,878)	5,358	1,061,693	(1,992,827)
Cash and Cash Equivalents at Beginning of Year	4,267,709	25,642	1,418,899	5,712,250
Cash and Cash Equivalents at End of Year	<u>\$ 1,207,831</u>	<u>\$ 31,000</u>	<u>\$ 2,480,592</u>	<u>\$ 3,719,423</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>				
Operating Income (Loss):	\$ (240,244)	\$ (12,435)	\$ 807,881	\$ 555,202
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:				
Depreciation	-	14,283	-	14,283
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease in Other Receivables	33,122	40	7,716	40,878
Increase (Decrease) in Accounts Payable	(808,551)	3,500	(6,224)	(811,275)
Increase (Decrease) in Claims Payable	(967,703)	-	237,160	(730,543)
Increase (Decrease) in Interfund Charges	(3,325,208)	(30)	(2,900)	(3,328,138)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (5,308,584)</u>	<u>\$ 5,358</u>	<u>\$ 1,043,633</u>	<u>\$ (4,259,593)</u>

## **TEA Compliance Schedules**

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2017

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ Various
2009	1.170000	0.235000	908,665,386
2010	1.170000	0.235000	898,644,445
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	1,089,862,742
2017 (School year under audit)	1.170000	0.185900	1,212,655,598
1000 TOTALS			

(10) Beginning Balance 9/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2017
\$ 652,244	\$ -	\$ 18,570	\$ 3,282	\$ (8,847)	\$ 621,545
121,833	-	4,182	840	(755)	116,056
133,884	-	6,653	1,422	(756)	125,053
133,954	-	9,394	2,007	(770)	121,783
156,203	-	17,600	3,571	1,157	136,189
202,737	-	31,500	6,139	2,681	167,779
226,220	-	1,339	243	(48,672)	175,966
315,375	-	74,965	12,347	(10,529)	217,534
727,344	-	307,603	48,875	(53,946)	316,920
-	16,001,332	13,050,337	2,073,553	(77,507)	799,935
<u>\$ 2,669,794</u>	<u>\$ 16,001,332</u>	<u>\$ 13,522,143</u>	<u>\$ 2,152,279</u>	<u>\$ (197,944)</u>	<u>\$ 2,798,760</u>

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(GAAP BASIS)	Final Budget Positive or (Negative)
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 380,000	\$ 380,000	\$ 367,799	\$ (12,201)
5800 State Program Revenues	48,000	48,000	44,513	(3,487)
5900 Federal Program Revenues	9,315,312	9,315,312	7,835,454	(1,479,858)
5020 Total Revenues	9,743,312	9,743,312	8,247,766	(1,495,546)
EXPENDITURES:				
0035 Food Services	8,978,932	8,978,932	8,443,125	535,807
0051 Facilities Maintenance and Operations	376,655	376,655	408,005	(31,350)
6030 Total Expenditures	9,355,587	9,355,587	8,851,130	504,457
1200 Net Change in Fund Balances	387,725	387,725	(603,364)	(991,089)
0100 Fund Balance - September 1 (Beginning)	3,206,349	3,206,349	3,206,349	-
3000 Fund Balance - August 31 (Ending)	\$ 3,594,074	\$ 3,594,074	\$ 2,602,985	\$ (991,089)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(GAAP BASIS)	Final Budget Positive or (Negative)
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,077,450	\$ 2,077,450	\$ 2,247,851	\$ 170,401
5800 State Program Revenues	5,004,629	5,004,629	4,967,335	(37,294)
5020 Total Revenues	7,082,079	7,082,079	7,215,186	133,107
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	7,338,373	4,375,000	4,375,000	-
0072 Interest on Long Term Debt	-	2,959,374	2,959,373	1
0073 Bond Issuance Cost and Fees	-	3,999	800	3,199
6030 Total Expenditures	7,338,373	7,338,373	7,335,173	3,200
1200 Net Change in Fund Balances	(256,294)	(256,294)	(119,987)	136,307
0100 Fund Balance - September 1 (Beginning)	2,461,555	2,461,555	2,461,555	-
3000 Fund Balance - August 31 (Ending)	\$ 2,205,261	\$ 2,205,261	\$ 2,341,568	\$ 136,307



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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*

Board of Managers  
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 year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the 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.

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## **Compliance**

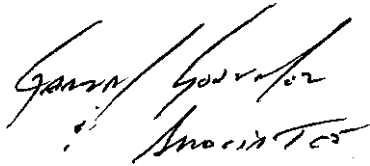
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 27, 2017.

## **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.

A handwritten signature in black ink, appearing to read "Gordon/Gordon" followed by "Auditor General".

November 27, 2017

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# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Managers  
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 year ended August 31, 2017. 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 year ended August 31, 2017.

### **Other Matters**

We noted certain matters that we reported to management of the District in a separate letter dated November 27, 2017.

### **Report on Internal Control Over Compliance**

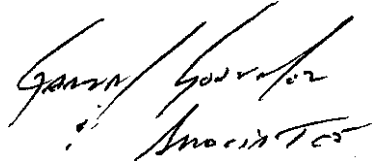
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

### **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.

A handwritten signature in black ink, appearing to read "Auditor", is written over a horizontal line.

November 27, 2017

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EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended August 31, 2017

**SECTION I --- SUMMARY OF AUDITORS' RESULTS**

<b><i>Financial Statements</i></b>			
	Type of auditor's report issued:	Unmodified	
	Internal control over financial reporting: • Material weakness (es) identified?	___Yes	<u>  X  </u> No
	• Significant deficiency(ies) identified not considered to be material weaknesses?	___Yes	<u>  X  </u> None Reported
	Noncompliance material to financial statements noted?	___Yes	<u>  X  </u> No

<b><i>Federal Awards</i></b>			
	Internal control over major programs: • Material weakness (es) identified?	___Yes	<u>  X  </u> No
	• Significant deficiency(ies) identified that are not considered to be material weaknesses?	___Yes	<u>  X  </u> 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	<u>  X  </u> No

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended August 31, 2017

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

<i>Identification of Major Programs</i>			
	CFDA Numbers(s)	Name of Federal Program or Cluster	
	84.010A	Title I, Part A Programs: ESEA, Title I, Part A – Improving Basic Programs ESEA, Title I 1003(A) – Priority & Focus Schools	
	84.027A 84.173A	Special Education Cluster (IDEA): Idea – Part B, Formula Idea – Part B, Preschool	
	84.367A	ESEA, Title II, Part A – Teacher & Principal Training and Recruiting	
	Dollar threshold used to distinguish between Type A and Type B programs:		\$750,000
	Auditee qualified as low-risk auditee?		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> 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 Year Ended August 31, 2017

**SECTION II --- FINANCIAL STATEMENT FINDINGS**

There were no findings in the prior year.

**SECTION III --- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings in the prior year.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<u>Direct Programs</u>			
ROTC	12.xxx	N/A	\$ 96,967
Total Direct Programs			\$ 96,967
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			\$ 96,967
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through ESC Region 20</u>			
ESEA, Title X, Part C - Homeless Children	84.196	206662605	\$ 15,498
Total Passed Through ESC Region 20			\$ 15,498
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101015905	\$ 39,127
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101015905	5,162,025
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101015905	259,286
ESEA, Title I 1003(A) Priority & Focus	84.010A	17610112015905000	211,271
Total CFDA Number 84.010A			5,671,709
*IDEA - Part B, Formula	84.027	176600010159056000	1,958,949
*IDEA - Part B, Formula	84.027	186600010159056000	75,067
Total CFDA Number 84.027			2,034,016
*IDEA - Part B, Preschool	84.173	16661001015905600	(2,006)
*IDEA - Part B, Preschool	84.173	17661001015905600	34,009
Total CFDA Number 84.173			32,003
Total Special Education Cluster (IDEA)			2,066,019
Career and Technical - Basic Grant	84.048	17420006015905	233,590
GEAR UP	84.334S	1751100017110001	413,305
Title III, Part A - English Language Acquisition	84.365A	17671001015905	207,238
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17694501015905	1,079,912
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	18694501015905	48,523
Total CFDA Number 84.367A			1,128,435
Summer School LEP	84.369	69551602	10,225
Total Passed Through State Department of Education			\$ 9,730,521
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			\$ 9,746,019
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through City of San Antonio</u>			
Head Start	93.600	4600001515	\$ 2,074,534
Head Start	93.600	4600015912	2,050,111
Total CFDA Number 93.600			4,124,645
Total Passed Through City of San Antonio			\$ 4,124,645
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	N/A	\$ 62,589
Total Passed Through Texas Dept of Human Services			\$ 62,589
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			\$ 4,187,234

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401701	\$ 2,443,496
*National School Lunch Program - Cash Assistance	10.555	71301701	5,313,261
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301701	240,298
Total CFDA Number 10.555			<u>5,553,559</u>
Total Child Nutrition Cluster			<u>7,997,055</u>
Fresh Fruit & Vegetable Program	10.582	N/A	<u>75,051</u>
Total Passed Through the State Department of Agriculture			<u>\$ 8,072,106</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>\$ 8,072,106</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 22,102,326</u></u>

\*Clustered Programs



EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2017

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.

General Fund – is used to account for resources related to the United States Department of Defense ROTC program, National School Lunch and Breakfast programs, Medicaid Administrative Claiming (MAC), and indirect cost revenues of various federal grants.

Special Revenue Funds – are used to account for resources restricted for specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue fund. Generally, funds that are not expended are returned to the grantor at the close of the grants.

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 availability for Federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the Federal project period extended 30 days beyond the Federal project period ending date, in accordance with the Uniform Guidance.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT  
San Antonio, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2017

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. U.S. Department of Education guidance indicates grants awarded by the U.S. Department of Education on or after December 26, 2014 are not eligible to apply for the 10% De Minimis indirect cost rate. On December 2015, the District submitted an indirect cost rate proposal to TEA requesting a four-year extension of the fiscal year 2016 indirect cost rate extended through June 30, 2020.
6. The expenditures shown on the Schedule of Expenditures of Federal Awards (SEFA) does not include SHARS and E-Rate program 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	\$ 25,681,665
Less: SHARS	(2,796,959)
Less: E-Rate	(782,380)
Amount reported on the SEFA	<u>\$ 22,102,326</u>

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