

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

EDGEWOOD INDEPENDENT SCHOOL DISTRICT San Antonio, Texas

ANNUAL FINANCIAL AND COMPLIANCE REPORT

For The Year Ended August 31, 2018

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EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

ANNUAL FINANCIAL AND COMPLIANCE REPORT

For The Year Ended August 31, 2018

TABLE OF CONTENTS

| | <u>PAGE</u> | <u>EXHIBIT</u> |
|---|-------------|----------------|
| CERTIFICATE OF BOARD | 1 | |
| FINANCIAL SECTION | | |
| Independent Auditor's Report | 2-4 | |
| Management's Discussion and Analysis | 5-13 | |
| Basic Financial Statements | | |
| Government-Wide Financial Statements: | | |
| Statement of Net Position | 14 | A-1 |
| Statement of Activities..... | 15 | B-1 |
| Governmental Funds Financial Statements: | | |
| Balance Sheet – Governmental Funds | 16 | 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 | 25-67 | |
| REQUIRED SUPPLEMENTARY INFORMATION | | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund..... | 68 | G-1 |
| Schedule of the District's Proportionate Share of the Net Pension Liability Teacher Retirement System of Texas..... | 69 | G-6 |
| Schedule of District Contributions for Pensions Teacher Retirement System of Texas..... | 70 | G-7 |
| Schedule of District's Proportionate Share of the Net OPEB Liability Teacher Retirement System of Texas | 71 | G-8 |

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

ANNUAL FINANCIAL AND COMPLIANCE REPORT

For The Year Ended August 31, 2018

TABLE OF CONTENTS

| | <u>PAGE</u> | <u>EXHIBIT</u> |
|---|-------------|----------------|
| REQUIRED SUPPLEMENTARY INFORMATION (Continued) | | |
| Schedule District Contributions for Other Post-Employment Benefits (OPEB) | | |
| Teacher Retirement System of Texas..... | 72 | G-9 |
| Notes to Required Supplementary Information..... | 73-74 | |
| OTHER SUPPLEMENTARY INFORMATION | | |
| Non Major Governmental Funds | | |
| Combining Balance Sheet..... | 75-78 | H-1 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 79-82 | H-2 |
| Internal Service Funds | | |
| Combining Statement of Net Position..... | 83 | H-3 |
| Combining Statement of Revenues, Expenses and Changes in Fund Net Position | 84 | H-4 |
| Combining Statement of Cash Flows..... | 85 | H-5 |
| TEA Compliance Schedules: | | |
| Schedule of Delinquent Taxes Receivable | 86-87 | J-1 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Child Nutrition Program | 88 | J-4 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund..... | 89 | J-5 |
| COMPLIANCE SECTION | | |
| Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 90-91 | |
| Report on Compliance on Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance | 92-93 | |
| Schedule of Findings and Questioned Costs | 94-95 | |
| Summary Schedule of Prior Audit Findings..... | 96 | |
| Schedule of Expenditures of Federal Awards | 97-98 | K-1 |
| Notes to Schedule of Expenditures of Federal Awards | 99-100 | |

Edgewood Independent School District
Name of School District

Bexar
County

015-905
Co. District Number

We, the undersigned, do hereby certify that the attached annual financial report of the above named school district was reviewed and **Approved** for the year ended August 31, 2018 at a meeting of the School Board of such school district on the 22nd of January, 2019.



Signature of Board President



Signature of Board Secretary

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FINANCIAL SECTION

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

School Board
Edgewood Independent School District
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Edgewood Independent School District (the District), as of and for the year ended August 31, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As described in the notes to the financial statements, in fiscal year 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions amending GASB Statement No. 45*. GASB Statement No. 75, requires state and local government employers to display the actuarially determined Net OPEB Liability in its financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

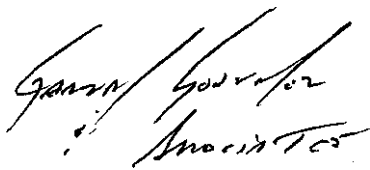
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining financial statements and the required Texas Education Agency (TEA) schedules, as listed in the table of contents, are presented for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

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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 December 19, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Gary G. Gorman". The signature is written in a cursive, flowing style.

December 19, 2018

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EDGEWOOD INDEPENDENT SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Edgewood Independent School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Edgewood Independent School District for the fiscal year ended August 31, 2018. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the District exceeded its liabilities plus deferred inflows of resources at the close of the fiscal year ended August 31, 2018 by \$46,780,021 (net position).
- The General Fund balance at August 31, 2018 increased in the current year by \$2,663,299 to \$40,252,803 primarily due to the funds remaining from the issuance of qualified energy conservation bonds approved by the Board on November 28, 2017. The General Fund consists of the District's Food Service Fund, Energy Management Project Fund and the General Fund. The Food Service Fund has a fund balance of \$2,204,380, the Energy Management Project Fund has a fund balance of \$2,257,817 and the General Fund has a fund balance of \$35,790,606.
- The General Fund expenditures increased by \$9,734,626 to \$117,108,589 compared to the previous year. The increase was primarily due to the addition of the Energy Management Project Fund that is used to account for the issuance of qualified energy conservation bonds approved by the Board on November 28, 2017.

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.
 - ◆ 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.

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

- *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 2018 | 2017 | Change | Percent Change |
|---|---------------------------------|-----------------------|------------------------|----------------|
| Current and Other Assets | \$ 69,119,611 | \$ 61,853,241 | \$ 7,266,370 | 11.7% |
| Capital and Non-Current Assets | <u>162,015,171</u> | <u>161,271,628</u> | <u>743,543</u> | <u>0.5%</u> |
| Total Assets | <u>231,134,782</u> | <u>223,124,869</u> | <u>8,009,913</u> | <u>3.6%</u> |
| Deferred Outflows-Resources | 10,397,052 | 12,594,409 | (2,197,357) | -17.4% |
| Current Liabilities | 19,493,661 | 15,891,705 | 3,601,956 | 22.7% |
| Long Term Liabilities | <u>151,534,481</u> | <u>103,192,165</u> | <u>48,342,316</u> | <u>46.8%</u> |
| Total Liabilities | <u>171,028,142</u> | <u>119,083,870</u> | <u>51,944,272</u> | <u>43.6%</u> |
| Deferred Inflows-Resources | 23,723,671 | 2,252,295 | 21,471,376 | 953.3% |
| Net Position: | | | | |
| Invested in Capital Assets net of related debt | 88,157,324 | 92,343,921 | (4,186,597) | -4.5% |
| Restricted | 2,421,332 | 4,797,071 | (2,375,739) | -49.5% |
| Unrestricted | <u>(43,798,635)</u> | <u>17,242,121</u> | <u>(61,040,756)</u> | <u>-354.0%</u> |
| Total Net Position | <u>\$ 46,780,021</u> | <u>\$ 114,383,113</u> | <u>\$ (67,603,092)</u> | <u>-59.1%</u> |

Changes in Net Position

The District’s total revenues were \$110,299,345, a decrease of \$20,247,175 from prior year. 15.6% of the District’s revenues are received from property taxes, 70.6% are State Allocations from state aid, 10.7% from operating grants and contributions, and the remaining 3.1% comes from investment earnings, charges for services and other miscellaneous revenues. The total cost of all programs and services was \$97,479,221, a decrease of \$32,990,532 or approximately 25% from the prior year.

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

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

| | Governmental Activities | | | |
|---|-------------------------|----------------|-----------------|----------------|
| | 2018 | 2017 | Change | Percent Change |
| Revenues: | | | | |
| <u>Program Revenues</u> | | | | |
| Charges For Services | \$ 1,685,326 | \$ 1,802,173 | \$ (116,847) | -6% |
| Operating Grants and Contributions | 11,834,777 | 30,624,560 | (18,789,783) | -61% |
| <u>General Revenues</u> | | | | |
| Property Taxes | 17,179,084 | 15,824,078 | 1,355,006 | 9% |
| State Aid-Formula | 77,925,584 | 78,987,754 | (1,062,170) | -1% |
| Investment Earnings | 1,065,918 | 490,256 | 575,662 | 117% |
| Other | 608,656 | 2,817,699 | (2,209,043) | -78% |
| Total Revenues | 110,299,345 | 130,546,520 | (20,247,175) | -16% |
| Expenses: | | | | |
| Instruction | 43,287,823 | 65,282,173 | (21,994,350) | -34% |
| Instructional Resources & Media Services | 1,122,231 | 1,676,128 | (553,897) | -33% |
| Curriculum and Staff Development | 5,466,388 | 4,499,863 | 966,525 | 21% |
| Instructional Leadership | 2,110,442 | 2,816,406 | (705,964) | -25% |
| School Leadership | 4,770,735 | 7,158,692 | (2,387,957) | -33% |
| Guidance, Counseling & Evaluation Services | 2,698,812 | 3,880,698 | (1,181,886) | -30% |
| Social Work Services | 875,582 | 1,322,629 | (447,047) | -34% |
| Health Services | 1,002,997 | 1,448,748 | (445,751) | -31% |
| Student (Pupil) Transportation | 1,688,805 | 2,164,852 | (476,047) | -22% |
| Food Service | 8,644,269 | 9,320,128 | (675,859) | -7% |
| Co-curricular/Extracurricular Activities | 3,514,922 | 4,375,821 | (860,899) | -20% |
| General Administration | 2,946,582 | 3,778,094 | (831,512) | -22% |
| Plant Maintenance and Operations | 10,475,483 | 12,447,288 | (1,971,805) | -16% |
| Security and Monitoring Services | 1,502,754 | 2,575,935 | (1,073,181) | -42% |
| Data Processing Services | 3,473,845 | 3,941,707 | (467,862) | -12% |
| Community Services | 518,665 | 783,784 | (265,119) | -34% |
| Debt Service-Interest on Long Term Debt | 2,947,992 | 2,789,768 | 158,224 | 6% |
| Debt Service-Bond Issuance Cost & Fees | 213,566 | 800 | 212,766 | 26596% |
| Payments to Fiscal Agent/Member Districts of SSA | 94,709 | 83,109 | 11,600 | 14% |
| Payments to Juvenile Justice Alternative Ed. Prg. | - | 13,313 | (13,313) | -100% |
| Other Intergovernmental Charges | 122,619 | 109,817 | 12,802 | 12% |
| Total Expense | 97,479,221 | 130,469,753 | (32,990,532) | -25% |
| Change in Net Position | 12,820,124 | 76,767 | 12,743,357 | 16600% |
| Beginning Net Position | 114,383,113 | 114,306,346 | 76,767 | 0.07% |
| Prior Period Adjustment | (80,423,216) | - | (80,423,216) | 0% |
| Ending Net Position | \$ 46,780,021 | \$ 114,383,113 | \$ (67,603,092) | -59% |

EDGEWOOD INDEPENDENT SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

Governmental Activities

- The property tax rate increased from \$1.35590 to \$1.385178 to meet the debt service requirements. The tax revenue increased by \$1,355,006 primarily due to an increase in property values.
- The net position of the District's governmental activities increased by \$12,820,124 for the current fiscal year, however, there is a required prior period adjustment of (\$80,423,216) due to the implementation of GASB Statement 75 for reporting the District's participation in the Teacher Retirement System of Texas Postemployment Benefits Other than Pensions (OPEB) Plan (the OPEB Plan). Please see the notes of the financial statements for detailed calculations and exhibits. The overall effect is a reduction in Net Position of (\$67,603,092). These amounts do not reflect a cash liability to the District, but are meant to inform the readers of these financial statements of the measure of the District's proportionate relationship of (1) the employer to (2) all employers and all non-employer contributing entities of the OPEB Plan.
- 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, 2018 | | August 31, 2017 | |
| | Total | Net | Total | Net |
| Instruction | \$ 43,287,823 | \$ 43,160,566 | \$ 65,282,173 | \$ 54,091,770 |
| Curriculum and Staff Development | 5,466,388 | 1,609,889 | 4,499,863 | 1,326,513 |
| School Leadership | 4,770,735 | 5,212,168 | 7,158,692 | 6,238,859 |
| Guidance/Counseling/Evaluation Services | 2,698,812 | 3,357,740 | 3,880,698 | 3,581,114 |
| Food Service | 8,644,269 | 659,687 | 9,320,128 | 1,434,282 |
| Extracurricular Activities | 3,514,922 | 3,638,659 | 4,375,821 | 4,125,333 |
| General Administration | 2,946,582 | 2,859,449 | 3,778,094 | 2,706,613 |
| Facilities Maintenance & Operations | 10,475,483 | 10,385,895 | 12,447,288 | 10,916,645 |
| Data Processing Services | 3,473,845 | 3,831,402 | 3,941,707 | 3,833,330 |
| Debt Service | 3,161,558 | 2,890,179 | 2,790,568 | 2,790,568 |

EDGEWOOD INDEPENDENT SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

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 \$35,469,622.

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 \$815,134 increase and the variance between the final amended budgeted expenditures and actual expenditures was a \$8,886,534 decrease.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District, at the end of the fiscal year, had a capital asset valuation of \$298,491,859 which represents an increase of \$8,511,165 attributed to the change of HVAC units, a copier capital lease and primarily to the energy management projects that are still in construction in progress. For capital asset activity, please refer to Note III (E) of the notes to the basic financial statements on page 41.

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

| | Governmental Activities | | | |
|--|--------------------------------|-----------------------|--------------------|-----------------------|
| | 2018 | 2017 | Change | Percent Change |
| Land and Land Improvements | \$ 3,887,442 | \$ 3,887,442 | \$ - | 0.0% |
| Buildings and Improvements | 261,373,974 | 260,943,902 | 430,072 | 0.2% |
| Furniture and Equipment | 23,543,318 | 23,193,028 | 350,290 | 1.5% |
| Property Under Capital Lease | 552,782 | 266,674 | 286,108 | 107.3% |
| Construction in Progress | 9,134,343 | 1,689,248 | 7,445,095 | 440.7% |
| Totals at Historical Cost | 298,491,859 | 289,980,294 | 8,511,565 | 2.9% |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (117,365,044) | (110,846,032) | (6,519,012) | 5.9% |
| Furniture and Equipment | (19,014,805) | (17,822,229) | (1,192,576) | 6.7% |
| Property Under Capital Lease | (96,839) | (40,405) | (56,434) | 139.7% |
| Total Accumulated Depreciation for: | (136,476,688) | (128,708,666) | (7,768,022) | 6.0% |
| Governmental Activities Capital Assets, net | \$ 162,015,171 | \$ 161,271,628 | \$ 743,543 | 0.5% |

EDGEWOOD INDEPENDENT SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

Long-Term Debt

At year end the District had \$78,102,299 in long-term debt outstanding as shown in table A-5. For detailed information of the District's long term debt refer to Note III (F) on pages 42-47.

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

| | 2018 | 2017 | Change | Percent Change |
|----------------------|----------------------|----------------------|---------------------|---------------------------|
| Bonds Payable | \$ 61,040,000 | \$ 65,515,000 | \$ (4,475,000) | -6.8% |
| Unamortized Premium | 4,454,060 | 4,706,749 | (252,689) | -5.4% |
| Notes Payable | 11,500,000 | - | 11,500,000 | 100% |
| Capital Leases | 438,204 | 206,067 | 232,137 | 112.7% |
| Claims Payable | 670,035 | 975,407 | (305,372) | -31.3% |
| Total Long-Term Debt | <u>\$ 78,102,299</u> | <u>\$ 71,403,223</u> | <u>\$ 6,699,076</u> | <u>9.4%</u> |

The "Claims Payable" amount is a result of the District's 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, so there are minimal outstanding claims that will continue to be the responsibility of the District and are included in these estimates.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District is governed by a Board that is comprised of elected officials and TEA appointed members, all with ties to the Edgewood community. In December 2016, the Board of Managers hired a new superintendent, Dr. Emilio Castro who was with the District until February 2018. After Dr. Castro and the Board severed their working relationship, the Board appointed Phil Chavez as interim superintendent until in June 2018, the Board approved the appointment of Dr. Eduardo Hernandez who officially started working in July 2018.

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

The tax rate adopted for 2018-19 decreased to \$1.377242, with the maintenance and operations tax rate being at the maximum rate of \$1.17 and the debt service rate at \$.207242. The adopted budget for the 2018-2019 fiscal year projects an excess of expenditures over revenues of \$5,587,885 for general fund operations with \$2,010,323 specifically coming from the fund balance of the Energy Management Project fund. Under the guidance of the Superintendent, District staff is working diligently to reduce costs to ensure that the adopted deficit is reduced or eliminated altogether. As such, 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. As we planned for the 2018-19 fiscal year, we will continue to monitor the needs of the students and the District. As part of the process to reduce expenditures, we have implementing the following:

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

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 the Chief Financial Officer, in the Edgewood Independent School District Administrative Office.

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Basic Financial Statements

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Government-Wide Financial Statements

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT A-1

| Data Control Codes | Primary Government |
|--|----------------------------|
| | Governmental Activities |
| ASSETS | |
| 1110 Cash and Cash Equivalents | \$ 56,827,236 |
| 1220 Property Taxes - Delinquent | 3,037,337 |
| 1230 Allowance for Uncollectible Taxes | (350,685) |
| 1240 Due from Other Governments | 8,943,716 |
| 1267 Due from Fiduciary Funds | 432,512 |
| 1290 Other Receivables, Net | 166,649 |
| 1300 Inventories | 60,028 |
| 1410 Prepayments | 2,818 |
| Capital Assets: | |
| 1510 Land | 3,887,442 |
| 1520 Buildings, Net | 144,008,930 |
| 1530 Furniture and Equipment, Net | 4,528,513 |
| 1550 Leased Property Under Capital Leases, Net | 455,943 |
| 1580 Construction in Progress | 9,134,343 |
| 1000 Total Assets | 231,134,782 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| 1701 Deferred Charge for Refunding | 1,407,969 |
| 1705 Deferred Outflow Related to TRS Pension | 8,262,430 |
| 1706 Deferred Outflow Related to TRS OPEB | 726,653 |
| 1700 Total Deferred Outflows of Resources | 10,397,052 |
| LIABILITIES | |
| 2110 Accounts Payable | 2,711,102 |
| 2140 Interest Payable | 118,362 |
| 2150 Payroll Deductions and Withholdings | 1,895,277 |
| 2160 Accrued Wages Payable | 4,409,495 |
| 2180 Due to Other Governments | 6,070,673 |
| 2200 Accrued Expenses | 103,632 |
| 2300 Unearned Revenue | 4,185,120 |
| Noncurrent Liabilities: | |
| 2501 Due Within One Year | 4,592,881 |
| 2502 Due in More Than One Year | 73,509,418 |
| 2540 Net Pension Liability (District's Share) | 27,567,629 |
| 2545 Net OPEB Liability (District's Share) | 45,864,553 |
| 2000 Total Liabilities | 171,028,142 |
| DEFERRED INFLOWS OF RESOURCES | |
| 2605 Deferred Resource Inflow Related to TRS Pension | 4,538,442 |
| 2606 Deferred Resource Inflow Related to TRS OPEB | 19,185,229 |
| 2600 Total Deferred Inflows of Resources | 23,723,671 |
| NET POSITION | |
| 3200 Net Investment in Capital Assets | 88,157,324 |
| 3820 Restricted for Federal and State Programs | 2,374,210 |
| 3890 Restricted for Other Purposes | 47,122 |
| 3900 Unrestricted | (43,798,635) |
| 3000 Total Net Position | \$ 46,780,021 |

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, 2018

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 |
| Primary Government: | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| 11 Instruction | \$ 43,287,823 | \$ 354,769 | \$ (227,512) | \$ (43,160,566) |
| 12 Instructional Resources and Media Services | 1,122,231 | 166,929 | (188,431) | (1,143,733) |
| 13 Curriculum and Instructional Staff Development | 5,466,388 | - | 3,856,499 | (1,609,889) |
| 21 Instructional Leadership | 2,110,442 | - | (138,148) | (2,248,590) |
| 23 School Leadership | 4,770,735 | - | (441,433) | (5,212,168) |
| 31 Guidance, Counseling and Evaluation Services | 2,698,812 | - | (658,928) | (3,357,740) |
| 32 Social Work Services | 875,582 | - | (204,030) | (1,079,612) |
| 33 Health Services | 1,002,997 | - | 2,151,845 | 1,148,848 |
| 34 Student (Pupil) Transportation | 1,688,805 | - | (229,657) | (1,918,462) |
| 35 Food Services | 8,644,269 | 280,910 | 7,703,672 | (659,687) |
| 36 Extracurricular Activities | 3,514,922 | 134,274 | (258,011) | (3,638,659) |
| 41 General Administration | 2,946,582 | - | 87,133 | (2,859,449) |
| 51 Facilities Maintenance and Operations | 10,475,483 | 727,578 | (637,990) | (10,385,895) |
| 52 Security and Monitoring Services | 1,502,754 | - | 174,527 | (1,328,227) |
| 53 Data Processing Services | 3,473,845 | - | (357,557) | (3,831,402) |
| 61 Community Services | 518,665 | 20,866 | 836,710 | 338,911 |
| 72 Debt Service - Interest on Long-Term Debt | 2,947,992 | - | 271,379 | (2,676,613) |
| 73 Debt Service - Bond Issuance Cost and Fees | 213,566 | - | - | (213,566) |
| 93 Payments Related to Shared Services Arrangements | 94,709 | - | 94,709 | - |
| 99 Other Intergovernmental Charges | 122,619 | - | - | (122,619) |
| [TP] TOTAL PRIMARY GOVERNMENT: | \$ 97,479,221 | \$ 1,685,326 | \$ 11,834,777 | (83,959,118) |
| Data Control Codes | General Revenues: | | | |
| | Taxes: | | | |
| MT | Property Taxes, Levied for General Purposes | | | 14,510,428 |
| DT | Property Taxes, Levied for Debt Service | | | 2,668,656 |
| GC | Grants and Contributions not Restricted | | | 77,925,584 |
| IE | Investment Earnings | | | 1,065,918 |
| MI | Miscellaneous Local and Intermediate Revenue | | | 608,656 |
| TR | Total General Revenues | | | 96,779,242 |
| CN | Change in Net Position | | | 12,820,124 |
| NB | Net Position - Beginning | | | 114,383,113 |
| PA | Prior Period Adjustment | | | (80,423,216) |
| NE | Net Position--Ending | | | \$ 46,780,021 |

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, 2018

| Data Control Codes | General Fund | Debt Service Fund | Other Funds | Total Governmental Funds |
|--|----------------------|----------------------|---------------------|--------------------------------|
| ASSETS | | | | |
| 1110 Cash and Cash Equivalents | \$ 48,632,209 | \$ 3,341,969 | \$ 286,567 | \$ 52,260,745 |
| 1220 Property Taxes - Delinquent | 2,579,335 | 458,002 | - | 3,037,337 |
| 1230 Allowance for Uncollectible Taxes (Credit) | (296,208) | (54,477) | - | (350,685) |
| 1240 Receivables from Other Governments | 4,726,423 | - | 4,217,293 | 8,943,716 |
| 1260 Due from Other Funds | 3,731,853 | 114,837 | - | 3,846,690 |
| 1290 Other Receivables | 163,719 | - | 2,930 | 166,649 |
| 1300 Inventories | 60,028 | - | - | 60,028 |
| 1410 Prepayments | 2,818 | - | - | 2,818 |
| 1000 Total Assets | <u>\$ 59,600,177</u> | <u>\$ 3,860,331</u> | <u>\$ 4,506,790</u> | <u>\$ 67,967,298</u> |
| LIABILITIES | | | | |
| 2110 Accounts Payable | \$ 2,628,667 | \$ - | \$ 72,476 | \$ 2,701,143 |
| 2150 Payroll Deductions and Withholdings Payable | 1,895,277 | - | - | 1,895,277 |
| 2160 Accrued Wages Payable | 3,977,873 | - | 429,970 | 4,407,843 |
| 2170 Due to Other Funds | 114,837 | - | 3,291,480 | 3,406,317 |
| 2180 Due to Other Governments | 6,047,885 | - | 22,788 | 6,070,673 |
| 2200 Accrued Expenditures | 70,923 | - | 32,709 | 103,632 |
| 2300 Unearned Revenues | 2,472,841 | 1,107,630 | 604,649 | 4,185,120 |
| 2000 Total Liabilities | <u>17,208,303</u> | <u>1,107,630</u> | <u>4,454,072</u> | <u>22,770,005</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| 2601 Unavailable Revenue - Property Taxes | 2,139,071 | 378,491 | - | 2,517,562 |
| 2600 Total Deferred Inflows of Resources | <u>2,139,071</u> | <u>378,491</u> | <u>-</u> | <u>2,517,562</u> |
| FUND BALANCES | | | | |
| Nonspendable Fund Balance: | | | | |
| 3410 Inventories | 60,028 | - | - | 60,028 |
| 3430 Prepaid Items | 2,818 | - | - | 2,818 |
| Restricted Fund Balance: | | | | |
| 3450 Federal or State Funds Grant Restriction | 2,160,852 | - | 5,596 | 2,166,448 |
| 3480 Retirement of Long-Term Debt | - | 2,374,210 | - | 2,374,210 |
| 3490 Other Restricted Fund Balance | - | - | 47,122 | 47,122 |
| Assigned Fund Balance: | | | | |
| 3590 Other Assigned Fund Balance | 2,559,483 | - | - | 2,559,483 |
| 3600 Unassigned Fund Balance | 35,469,622 | - | - | 35,469,622 |
| 3000 Total Fund Balances | <u>40,252,803</u> | <u>2,374,210</u> | <u>52,718</u> | <u>42,679,731</u> |
| 4000 Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 59,600,177</u> | <u>\$ 3,860,331</u> | <u>\$ 4,506,790</u> | <u>\$ 67,967,298</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, 2018

EXHIBIT C-2

| | |
|---|----------------------|
| Total Fund Balances - Governmental Funds | \$ 42,679,731 |
| 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. | 3,900,868 |
| 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 \$289,908,316 and the accumulated depreciation was (\$128,673,614). 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 (\$65,721,067), the unamortized balances of premium and deferred charge for refunding were (\$4,706,749) and \$1,491,954, respectively, and interest payable was (\$124,732); and, the net pension liability was (\$31,788,942) and the related deferred outflows and inflows of resources were \$11,102,455 and (\$2,252,295), respectively. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term liabilities, the net pension liability, and related accounts in the governmental activities is to increase net position. | 69,235,326 |
| Transactions related to current year capital outlay, bonds payable and long-term liabilities, and changes in interest payable are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting, as follows: | 1,446,839 |
| <ul style="list-style-type: none"> ● Acquisition of capital assets was \$8,528,902. ● Disposition of capital asset was (\$17,337) with \$17,337 of related accumulated depreciation. ● Capital lease agreement entered into in the current year was (\$286,108). ● Note payable issued was (\$11,500,000). ● Principal payment on bonds payable was \$4,475,000 and on capital leases was \$53,971. ● Amortization on premium was \$252,689 and deferred charge on refunding was (\$83,985). ● Change in interest payable was \$6,370. | |
| The net effect is to increase net position. | |
| Transaction in the current year related to the District's TRS pension liability are as follows: | (904,859) |
| <ul style="list-style-type: none"> ● Recognize a net decrease in the District's proportionate share of the net pension liability in the amount of \$4,221,313. ● Recognize a net (increase) in deferred inflows of resources in the amount of (\$2,286,147). ● Recognize a net (decrease) in deferred outflows of resources in the amount of (\$2,840,025). | |
| The net effect is to (decrease) net position. | |
| The District implemented GASB 75 in the current year; and, since this is the first year of implementation, a prior period adjustment to restate beginning net position was made in the amount of (\$80,423,216). In the current year, the District recognized its proportionate share of the TRS net OPEB liability in the amount of (\$45,864,553), deferred inflow of resources in the amount of (\$19,185,229), and deferred outflow of resources in the amount of \$726,653. The net effect is to (decrease) net position. | (64,323,129) |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to (decrease) net position. | (7,772,317) |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis accounting. This includes recognizing unavailable revenue from the current year tax levy in the amount of \$721,744 and from prior year tax levy in the amount of \$1,795,818. The net effect is to increase net position. | 2,517,562 |
| Net Position of Governmental Activities | <u>\$ 46,780,021</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, 2018

| Data Control Codes | General Fund | Debt Service Fund | Other Funds | Total Governmental Funds |
|--|-----------------|----------------------|----------------|--------------------------------|
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 17,926,153 | \$ 2,799,818 | \$ 191,916 | \$ 20,917,887 |
| 5800 State Program Revenues | 78,036,558 | 4,526,930 | 675,391 | 83,238,879 |
| 5900 Federal Program Revenues | 12,023,069 | - | 14,212,701 | 26,235,770 |
| 5020 Total Revenues | 107,985,780 | 7,326,748 | 15,080,008 | 130,392,536 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 51,803,329 | - | 8,237,555 | 60,040,884 |
| 0012 Instructional Resources and Media Services | 1,226,080 | - | 286 | 1,226,366 |
| 0013 Curriculum and Instructional Staff Development | 3,679,592 | - | 4,403,295 | 8,082,887 |
| 0021 Instructional Leadership | 2,770,784 | - | 261,099 | 3,031,883 |
| 0023 School Leadership | 6,420,477 | - | 698,301 | 7,118,778 |
| 0031 Guidance, Counseling and Evaluation Services | 4,061,140 | - | 108,145 | 4,169,285 |
| 0032 Social Work Services | 1,322,852 | - | 53,174 | 1,376,026 |
| 0033 Health Services | 1,434,644 | - | 84,216 | 1,518,860 |
| 0034 Student (Pupil) Transportation | 1,855,118 | - | 85,444 | 1,940,562 |
| 0035 Food Services | 8,354,260 | - | 48,087 | 8,402,347 |
| 0036 Extracurricular Activities | 2,897,138 | - | 19,118 | 2,916,256 |
| 0041 General Administration | 4,101,294 | - | 33,922 | 4,135,216 |
| 0051 Facilities Maintenance and Operations | 12,035,082 | - | 281,057 | 12,316,139 |
| 0052 Security and Monitoring Services | 2,327,181 | - | 3,861 | 2,331,042 |
| 0053 Data Processing Services | 3,933,623 | - | - | 3,933,623 |
| 0061 Community Services | 39,843 | - | 652,945 | 692,788 |
| Debt Service: | | | | |
| 0071 Principal on Long Term Debt | 53,971 | 4,475,000 | - | 4,528,971 |
| 0072 Interest on Long Term Debt | 304,760 | 2,818,306 | - | 3,123,066 |
| 0073 Bond Issuance Cost and Fees | 212,766 | 800 | - | 213,566 |
| Capital Outlay: | | | | |
| 0081 Facilities Acquisition and Construction | 8,152,036 | - | 9,238 | 8,161,274 |
| Intergovernmental: | | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | - | - | 94,709 | 94,709 |
| 0099 Other Intergovernmental Charges | 122,619 | - | - | 122,619 |
| 6030 Total Expenditures | 117,108,589 | 7,294,106 | 15,074,452 | 139,477,147 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | (9,122,809) | 32,642 | 5,556 | (9,084,611) |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7913 Capital Leases | 286,108 | - | - | 286,108 |
| 7914 Non-Current Loans | 11,500,000 | - | - | 11,500,000 |
| 7080 Total Other Financing Sources (Uses) | 11,786,108 | - | - | 11,786,108 |
| 1200 Net Change in Fund Balances | 2,663,299 | 32,642 | 5,556 | 2,701,497 |
| 0100 Fund Balance - September 1 (Beginning) | 37,589,504 | 2,341,568 | 47,162 | 39,978,234 |
| 3000 Fund Balance - August 31 (Ending) | \$ 40,252,803 | \$ 2,374,210 | \$ 52,718 | \$ 42,679,731 |

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, 2018

EXHIBIT C-4

| | |
|---|-----------------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 2,701,497 |
| The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income of the internal service funds are reported with governmental activities. The net effect of this consolidation is an increase to the change in net position. | 1,126,750 |
| Transactions related to current year capital outlay, bonds payable and long-term liabilities, and changes in interest payable are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting, as follows: | 1,446,839 |
| <ul style="list-style-type: none"> ● Acquisition of capital assets was \$8,528,902. ● Disposition of capital asset was (\$17,337) with \$17,337 of related accumulated depreciation. ● Capital lease agreement entered into in the current year was (\$286,108). ● Note payable issued was (\$11,500,000). ● Principal payment on bonds payable was \$4,475,000 and on capital leases was \$53,971. ● Amortization on premium was \$252,689 and deferred charge on refunding was (\$83,985). ● Change in interest payable was \$6,370. | |
| The net effect is an increase to the change in 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 a (decrease) to the change in net position. | (7,772,317) |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting, as follows: | 122,127 |
| <ul style="list-style-type: none"> ● Remove tax collections from prior year levies in the amount of (\$447,724). ● Recognize unavailable revenue from the current year's tax levy in the amount of \$721,744. ● Reduce tax revenue in the amount of (\$151,893) for the difference between what was estimated in prior year and collected in the current year. | |
| The net effect is an increase to the change in net position. | |
| Various adjustments necessary in the current year to record the District's pension liability were as follows: | (904,859) |
| <ul style="list-style-type: none"> ● Contributions made after the measurement date of August 31, 2017 were de-expended and recorded as deferred outflows of resources in the amount of \$2,699,328. ● The net effect to deferred inflows and outflows of resources was (\$992,218) including amounts amortized. ● The District's proportionate share of net pension expenses in the amount (\$2,622,504) and other adjustments in the amount of \$10,535 were recognized to determine the District's net pension liability. | |
| The net effect is a (decrease) to the change in net position. | |
| Various adjustments necessary in the current year related to the implementation of GASB 75 were as follows: | 16,100,087 |
| <ul style="list-style-type: none"> ● Contributions made after the measurement date of August 31, 2017 were de-expended and recorded as deferred outflows of resources in the amount of \$719,473. ● Adjustments to contributions made by TRS in the amount of (\$583). ● The District recognized its proportionate share of the net OPEB expense of \$15,359,152; and the State's supplemental on-behalf contribution of \$16,411; and amounts recognized from other sources of \$5,634. | |
| The net effect is an increase to the change in net position. | |
| Change in Net Position of Governmental Activities | <u><u>\$ 12,820,124</u></u> |

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, 2018

| | Governmental Activities - |
|--|------------------------------------|
| | Total Internal Service Funds |
| <hr/> | |
| ASSETS | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 4,566,491 |
| Due from Other Funds | 30 |
| Total Current Assets | <u>4,566,521</u> |
| Noncurrent Assets: | |
| Capital Assets: | |
| Furniture and Equipment | 71,978 |
| Depreciation on Books and Media | <u>(48,094)</u> |
| Total Noncurrent Assets | <u>23,884</u> |
| Total Assets | <u>4,590,405</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable | 9,959 |
| Short Term Claims Payable | 268,014 |
| Accrued Wages Payable | 1,652 |
| Due to Other Funds | <u>7,891</u> |
| Total Current Liabilities | <u>287,516</u> |
| Noncurrent Liabilities: | |
| Claims Payable - Due in More than One Year | <u>402,021</u> |
| Total Noncurrent Liabilities | <u>402,021</u> |
| Total Liabilities | <u>689,537</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 23,884 |
| Unrestricted Net Position | <u>3,876,984</u> |
| Total Net Position | <u><u>\$ 3,900,868</u></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, 2018

| | Governmental Activities - |
|--|------------------------------------|
| | Total Internal Service Funds |
| OPERATING REVENUES: | |
| Local and Intermediate Sources | \$ 1,694,648 |
| Total Operating Revenues | <u>1,694,648</u> |
| OPERATING EXPENSES: | |
| Payroll Costs | 142,152 |
| Professional and Contracted Services | 401,285 |
| Supplies and Materials | 31,806 |
| Depreciation Expense | 13,042 |
| Total Operating Expenses | <u>588,285</u> |
| Operating Income | <u>1,106,363</u> |
| NONOPERATING REVENUES (EXPENSES): | |
| Earnings from Temporary Deposits & Investments | <u>20,387</u> |
| Total Nonoperating Revenues (Expenses) | <u>20,387</u> |
| Change in Net Position | 1,126,750 |
| Total Net Position - September 1 (Beginning) | <u>2,774,118</u> |
| Total Net Position - August 31 (Ending) | <u><u>\$ 3,900,868</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, 2018

| | Governmental Activities - |
|--|------------------------------------|
| | Total Internal Service Funds |
| <u>Cash Flows from Operating Activities:</u> | |
| Cash Received from User Charges | \$ 70,721 |
| Cash Received from Assessments - Other Funds | 1,623,927 |
| Cash Payments to Employees for Services | (140,500) |
| Cash Payments for Insurance Claims | (684,285) |
| Cash Payments for Suppliers | (43,182) |
| Net Cash Provided by Operating Activities | <u>826,681</u> |
| <u>Cash Flows from Investing Activities:</u> | |
| Interest and Dividends on Investments | <u>20,387</u> |
| Net Increase in Cash and Cash Equivalents | 847,068 |
| Cash and Cash Equivalents at Beginning of Year | <u>3,719,423</u> |
| Cash and Cash Equivalents at End of Year | <u><u>\$ 4,566,491</u></u> |
| <u>Reconciliation of Operating Income to Net Cash</u> | |
| <u>Provided by Operating Activities:</u> | \$ 1,106,363 |
| Operating Income: | |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Depreciation | 13,042 |
| Effect of Increases and Decreases in Current Assets and Liabilities: | |
| Decrease (increase) in Receivables | 554 |
| Increase (decrease) in Accounts Payable | 2,553 |
| Increase (decrease) in Accrued Wages Payable | 1,652 |
| Increase (decrease) in Claims Payable | (305,372) |
| Increase (decrease) in Interfund Charges | 7,889 |
| Net Cash Provided by Operating Activities | <u><u>\$ 826,681</u></u> |

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, 2018

| | Private Purpose Trust Fund | Agency Fund |
|---------------------------|----------------------------------|-------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 297,265 | \$ 869,430 |
| Other Receivables | - | 15,161 |
| Total Assets | <u>297,265</u> | <u>\$ 884,591</u> |
| LIABILITIES | | |
| Due to Other Funds | 37,750 | \$ 394,762 |
| Due to Other Governments | - | 115,893 |
| Due to Student Groups | - | 373,936 |
| Total Liabilities | <u>37,750</u> | <u>\$ 884,591</u> |
| NET POSITION | | |
| Unrestricted Net Position | <u>259,515</u> | |
| Total Net Position | <u>\$ 259,515</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, 2018

| | Private Purpose Trust Fund |
|--|----------------------------------|
| ADDITIONS: | |
| Local and Intermediate Sources | \$ 107,000 |
| Total Additions | <u>107,000</u> |
| DEDUCTIONS: | |
| Other Operating Costs | <u>29,750</u> |
| Total Deductions | <u>29,750</u> |
| Change in Net Position | 77,250 |
| Total Net Position - September 1 (Beginning) | <u>182,265</u> |
| Total Net Position - August 31 (Ending) | <u><u>\$ 259,515</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, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Edgewood Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a five-member School Board (the "Board") appointed by the Texas Education Agency (TEA) in May, 2016. During the current fiscal year, TEA allowed two elected Board members from the District to jointly govern the District along with the School Board. The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in GASB Statement No. 76 *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*. Additionally, the District complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide"), and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

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, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

D. FUND ACCOUNTING

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

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

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

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the District reports the following fund types:

Governmental Funds:

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

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

Proprietary Fund:

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

Fiduciary Funds:

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

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

E. OTHER ACCOUNTING POLICIES

1. Cash and Cash Equivalents – Cash and cash equivalents include cash and highly liquid investments such as local government investment pools.
2. Inventory – Inventories of supplies and materials are accounted for under the consumption method. This method recognizes supplies and material expenditures at the time they are requisitioned from the District's warehouse. Inventories available at the balance sheet date are recorded at cost while inventories of food commodities are recorded at market values supplied by the USDA and are offset with unearned revenues. When requisitioned, inventory and unearned revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount. Cost is determined principally by the weighted average cost method.
3. Prepayments – Certain payments to vendors 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.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

In fiscal year 2018, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 requires state and local government agencies to report the actuarially determined net other postemployment benefit (OPEB) liability in its financial statements. The primary objective of the Statement is to improve accounting and financial reporting by state and local governments for OPEB. The scope of the Statement addresses accounting and financial reporting for OPEB that is provided to the employees of the state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The disclosures for the OPEB plan required in accordance with GASB Statement No. 75 are included in Section III, Note M.

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

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Compensated Absences – The District adopts the State of Texas minimum personal leave program which consists of five days per year of personal leave with no limit in accumulation and no restrictions on transferability among school districts for District employees. The District provides an additional five days of local personal leave per year not to exceed a cumulative amount of 30 days. Since the District is unable to estimate how much leave will be used, no liability has been recorded in the financial statements.
7. Capital Assets – Capital assets, which include land, construction in progress, buildings and improvements, equipment, and property under capital lease are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of five years. Such assets, except for E-Rate acquisitions, are recorded at historical cost or estimated historical cost if purchased or constructed. E-Rate acquisitions are recorded at discounted cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

8. Encumbrances – Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at 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.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Operating and Non-Operating Revenue – Operating revenues reported in the Internal Service Funds consist of fees charged to other funds to finance the operations of the District's Health Claims Self-Insurance Program, Worker's Compensation Self-Insurance Program and the Print Shop. Non-operating revenues consist of revenues not directly related to the principal operations of the funds.
11. 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.
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, 2018.
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.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, both restricted and unrestricted resources may be available to finance the program. When the District has both restricted and unrestricted resources available to fund expenditures, the District intends to first apply cost reimbursement grant and categorical block grant (restricted) resources to such programs and then general revenue (unrestricted) resources.
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.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

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 20th, 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 1st, the budget is legally enacted through passage of a resolution by the Board.

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

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

The District exceeded the final amended budget for function 53 (data processing services) by \$4,635. Similarly, in the Child Nutrition Program, expenditures in function 51 (facilities maintenance and operations) exceeded the final amended budget by \$86,981.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Cash and cash equivalents of \$56,827,236 are comprised of the following:

| | | Governmental Funds | | | | | |
|------------------|----|--------------------|----------------------|-------------|----------------|----------------------|----------------|
| | | Major Funds | | | | | Grand Total |
| | | General Fund | Debt Service Fund | Other Funds | Total | Proprietary Funds | |
| Cash and Cash | | | | | | | |
| Equivalents: | | | | | | | |
| Demand Accounts | \$ | (3,785,606) | \$ 52,708 | \$ 212,005 | \$ (3,520,893) | \$ 4,566,491 | \$ 1,045,598 |
| Cash on Hand | | 4,600 | - | - | 4,600 | - | 4,600 |
| Investment Pools | | 52,413,215 | 3,289,261 | 74,562 | 55,777,038 | - | 55,777,038 |
| Total | \$ | 48,632,209 | \$ 3,341,969 | \$ 286,567 | \$ 52,260,745 | \$ 4,566,491 | \$ 56,827,236 |

Deposits

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

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

- a. Name of Contracted Depository Bank: Wells Fargo Bank
- b. The highest combined balances of cash, savings, and time deposit accounts at the Wells Fargo Bank was \$3,795,236 and occurred during September 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 \$8,677,434.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

At August 31, 2018, the net carrying amount of the District's deposits was \$1,045,598 and the bank balance was \$1,130,995. The District's cash deposits at August 31, 2018 and during the year then ended were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The fiduciary funds report the following balances as of August 31, 2018:

| | Fiduciary Funds | | |
|----------------------------|-----------------------|------------------------|---------------------|
| | Fiduciary Funds | Agency Funds | Total |
| | Private Purpose Trust | Student Activity Funds | |
| Cash and Cash Equivalents: | | | |
| Demand Accounts | \$ 198,488 | \$ (175,255) | \$ 23,233 |
| Investment Pools | 98,777 | 1,044,685 | 1,143,462 |
| Total | <u>\$ 297,265</u> | <u>\$ 869,858</u> | <u>\$ 1,166,695</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.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

The District's investments in investment pools, which are exempt from regulation by the Securities and Exchange Commission (SEC), have as one of their objectives the maintenance of a stable net asset value 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.

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 (Texas CLASS). The pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the fair value of the District's position in 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 & Poor's. As a requirement to maintain the rating weekly portfolio, information must be submitted to Standard & Poor's, 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.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

TexStar is organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Education Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexStar is governed by a nine-member Board of Trustees (Board) made up of active participants. JP Morgan Investment Management, Inc. (JPMIM) and First Southwest Company (FSC) serve as co-administrators for TexStar under an agreement with the Board. JPMIM provides investment management services, and FSC provides participant services and marketing. TexStar is rated AAAM by Standard & Poors. Financial information for TexStar can be accessed on the Internet (<http://texstar.org>).

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

Interest Rate Risk — Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the District's policy, one of the ways the District manages its exposure to interest rate risk is by investing in investment pools which have no stated maturity date; therefore, the funds are always available to meet operational needs. Information about the District's investments is presented in the table below that shows the specific investments and their maturity as of August 31, 2018.

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, 2018 for each investment.

As of August 31, 2018, the District had the following investments:

| Investment | Fair Value | Weighted Average Maturity (Days) | * Standard & Poor's Rating |
|--------------------|----------------------|-------------------------------------|----------------------------------|
| Texpool | \$ 9,051,991 | 1 | AAAM |
| The Lone Star Pool | 37,633,864 | 1 | AAA |
| TexStar | 73,212 | 1 | AAAM |
| Texas CLASS | 10,161,433 | 1 | AAAM |
| Total | <u>\$ 56,920,500</u> | | |

* Minimum Legal Rating Requirement is AAA

\$1,143,462 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, 2018

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 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, 2018, the District's investments are reported at amortized cost in accordance with GASB Statement No. 31 and GASB Statement No. 72.

B. PROPERTY TAXES

Property taxes are levied by October 1st on the assessed value listed as of the prior January 1st for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1st of each year following the year in which imposed. On January 31st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Board set maintenance and debt service tax rates of \$1.17 and \$0.1859, 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, 2018

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 2018 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 Program, the Per Capita Program, the Instructional Facilities Allotment (IFA), and the Existing Debt Allotment (EDA) Program. Amounts due from state and federal governments as of August 31, 2018 are summarized below.

| | General Fund | Other Funds | Total |
|-------------------------------|-----------------|----------------|--------------|
| State Entitlements and Grants | \$ 4,036,070 | \$ 458,701 | \$ 4,494,771 |
| Federal Grants | 690,353 | 3,758,592 | 4,448,945 |
| Total | \$ 4,726,423 | \$ 4,217,293 | \$ 8,943,716 |

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. DUE TO/FROM OTHER FUNDS

Interfund balances at August 31, 2018 consisted of the following:

| | <u>Receivable</u> | <u>Payable</u> |
|------------------------------|---------------------|---------------------|
| General Fund: | | |
| Debt Service Fund | \$ - | \$ 114,837 |
| Other Funds | 3,291,480 | - |
| Internal Service Funds | 7,891 | - |
| Fiduciary Funds | 432,482 | - |
| General Fund | <u>3,731,853</u> | <u>114,837</u> |
| Debt Service Fund: | | |
| General Fund | 114,837 | - |
| Other Funds: | | |
| General Fund | - | 3,291,480 |
| Total Governmental Funds | <u>3,846,690</u> | <u>3,406,317</u> |
| Internal Service Funds: | | |
| Fiduciary Funds | 30 | - |
| General Fund | - | 7,891 |
| Total Internal Service Funds | <u>30</u> | <u>7,891</u> |
| Fiduciary Funds: | | |
| General Fund | - | 432,482 |
| Internal Service Funds | - | 30 |
| Total Fiduciary Funds | <u>-</u> | <u>432,512</u> |
| Total | <u>\$ 3,849,720</u> | <u>\$ 3,846,720</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. The receivable balances of the Debt Service and Fiduciary Funds represent borrowing between funds expected to be liquidated through normal operations.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2018, was as follows:

| | Beginning Balance | Additions | Disposals | Transfer | Ending Balance |
|---|----------------------|-------------|-----------|----------|-------------------|
| Governmental Activities: | | | | | |
| Capital Assets Not Being Depreciated: | | | | | |
| Land and Land improvements | \$ 3,887,442 | \$ - | \$ - | \$ - | 3,887,442 |
| Construction in Progress | 1,689,248 | 7,445,095 | - | - | 9,134,343 |
| Total Capital Assets Not Being Depreciated | 5,576,690 | 7,445,095 | - | - | 13,021,785 |
| Capital Assets Being Depreciated: | | | | | |
| Buildings and Improvements | 260,943,902 | 430,072 | - | - | 261,373,974 |
| Furniture and Equipment | 23,193,028 | 367,627 | (17,337) | - | 23,543,318 |
| Property Under Capital Lease | 266,674 | 286,108 | - | - | 552,782 |
| Total Capital Assets Being Depreciated | 284,403,604 | 1,083,807 | (17,337) | - | 285,470,074 |
| Less Accumulated Depreciation for: | | | | | |
| Buildings and Improvements | (110,846,032) | (6,519,012) | - | - | (117,365,044) |
| Furniture and Equipment | (17,822,229) | (1,209,913) | 17,337 | - | (19,014,805) |
| Property Under Capital Lease | (40,405) | (56,434) | - | - | (96,839) |
| Total Accumulated Depreciation | (128,708,666) | (7,785,359) | 17,337 | - | (136,476,688) |
| Total Capital Assets Being Depreciated, Net | 155,694,938 | (6,701,552) | - | - | 148,993,386 |
| Governmental Activities Capital Assets, Net | \$ 161,271,628 | \$ 743,543 | \$ - | \$ - | \$ 162,015,171 |

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|--|---------------------|
| Instruction | \$ 3,969,650 |
| Instructional Resources | 278,265 |
| Curriculum & Instructional Staff Development | 3,901 |
| Instructional Leadership | 27,154 |
| School Leadership | 252,503 |
| Guidance, Counseling & Evaluation Services | 49,044 |
| Social Work Services | 1,184 |
| Health Services | 31,699 |
| Student Transportation | 336,677 |
| Food Service | 689,621 |
| Extracurricular Activities | 1,217,044 |
| General Administrative | 7,437 |
| Plant & Operations Facilities | 619,943 |
| Security & Monitoring Services | 40,803 |
| Data Processing | 223,518 |
| Community Service | 36,916 |
| Total Depreciation Expense – Governmental Activities | <u>\$ 7,785,359</u> |

F. LONG-TERM LIABILITIES

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

The State of Texas enacted in 1997 and in 1999 the Instructional Facilities Allotment (IFA) and the Existing Debt Allotment (EDA) Programs, whereby the District received State funds of \$4,526,930 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, 2018

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, 2018, 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, 2018.

A summary of changes in bonds payable for the year ended August 31, 2018 is as follows:

| Description | Original Balance | Int. Rates | Final Maturity | Amount Outstanding 09/01/17 | Additions | Payments | Amount Outstanding 08/31/18 | Due Within One Year |
|---|---------------------|----------------|-------------------|-----------------------------------|-------------|-----------------------|-----------------------------------|------------------------|
| Bonds Payable | | | | | | | | |
| Unlimited Tax School Building Bonds – Series 2009 | \$ 1,035,000 | 4.95% | 2024 | \$ 575,000 | \$ - | \$ (70,000) | \$ 575,000 | \$ 75,000 |
| Unlimited Tax Refunding Bonds – Series 2011 | 29,880,000 | 2.00- 5.00% | 2031 | 28,405,000 | - | (1,515,000) | 26,890,000 | 1,850,000 |
| Unlimited Tax Refunding Bonds – Series 2013 | 39,845,000 | 2.00- 5.00% | 2034 | 33,075,000 | - | (1,990,000) | 31,085,000 | 1,470,000 |
| Unlimited Tax Refunding Bonds – Series 2014 | 6,695,000 | 2.00- 5.00% | 2023 | 3,460,000 | - | (900,000) | 2,560,000 | 620,000 |
| Total Bonds Payable | | | | <u>\$ 65,515,000</u> | <u>\$ -</u> | <u>\$ (4,475,000)</u> | <u>\$ 61,040,000</u> | <u>\$ 4,015,000</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, 2018

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 |
|---------------------------|----------------------|----------------------|----------------------|
| 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 | 3,765,000 | 2,035,431 | 5,800,431 |
| 2024-2028 | 19,440,000 | 7,580,423 | 27,020,423 |
| 2029-2033 | 19,030,000 | 2,615,470 | 21,645,470 |
| 2034 | 2,690,000 | 55,145 | 2,745,145 |
| | <u>\$ 61,040,000</u> | <u>\$ 22,071,977</u> | <u>\$ 83,111,977</u> |

Long Term Notes Payable

Maintenance Tax Notes

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

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

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

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

| Description | Interest Rate Payable | Final Maturity | Amount Original Issue | Amount Outstanding 09/01/17 | Additions | Retired | Amount Outstanding 08/31/18 | Due Within One Year |
|--|-----------------------------|-------------------|-----------------------------|-----------------------------------|---------------|---------|-----------------------------------|---------------------------|
| Limited Maintenance Tax Qualified Energy QECN, Series 2017 | 3.762% | 2032 | \$ 11,500,000 | \$ - | \$ 11,500,000 | \$ - | \$ 11,500,000 | \$ - |

Annual payments due to the escrow agent and deposited into a cumulative sinking fund until maturity of the maintenance tax notes are as follows

| Year Ending August 31, | Principal | Interest | Total |
|------------------------|---------------|--------------|---------------|
| 2019 | \$ - | \$ 432,630 | \$ 432,630 |
| 2020 | - | 432,630 | 432,630 |
| 2021 | 960,000 | 432,630 | 1,392,630 |
| 2022 | 960,000 | 432,630 | 1,392,630 |
| 2023 | 960,000 | 432,630 | 1,392,630 |
| 2024-2028 | 4,800,000 | 2,163,150 | 6,963,150 |
| 2029-2032 | 3,820,000 | 1,730,520 | 5,550,520 |
| Total | \$ 11,500,000 | \$ 6,086,820 | \$ 17,568,820 |

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Leases Payable

Master Lease/Purchase Agreements

On August 05, 2018, the District entered into a master lease/purchase agreement (the lease) in the amount of \$286,108 with 4.438% incurred interest with CTWP Digital Solutions for the lease of information technology equipment. The lease meets the definition of a capital lease for accounting purposes and is recorded at the present value of the future minimum lease payments of \$286,108 at the date of inception. The agreement is payable from the District's General Fund over 3 years with monthly payments of \$8,503. The final maturity date is July 30, 2021. Ownership of the equipment transfers to the District at the end of the lease term, therefore, it is included in capital assets in the amount of \$286,108 as property under capital lease. At August 31, 2018 the related amortization is included as accumulated depreciation/amortization in the amount of \$7,947 in property under capital lease.

On December 1, 2016, the District entered into two master lease/purchase agreement (agreement) in the amount of \$158,263 and \$108,411 totaling \$266,674 with 6.83% incurred interest with Dell Financial Services, LLC (lessor) for the lease of information technology equipment. The agreement meets the definition of a capital lease for accounting purposes and is recorded at the present value of the future minimum lease payments at the date of inception. The agreement is payable from the District's General Fund over 5 years with annual payments of \$35,969 and \$24,638 with final maturity date of December 2020. The District acquired equipment totaling \$266,674, and since ownership of the equipment transfers to the District at the end of the lease term, it is included in capital assets in the amount of \$266,674 as property under capital lease. The related amortization is included in accumulated depreciation/amortization in the amount of \$40,405 in property under capital lease.

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

| Description | Purpose | Interest Rate Payable | Final Maturity | Amount Original Issue | Amount Outstanding 09/01/17 | Additions | Retired | Amount Outstanding 08/31/18 | Due Within One Year |
|---------------------------------|----------|-----------------------------|-------------------|-----------------------------|-----------------------------------|------------|-------------|-----------------------------------|------------------------------|
| Dell Financial Services LLC | IT Equip | 6.83% | 2021 | \$ 266,674 | \$ 206,067 | \$ - | \$ (46,527) | \$ 159,540 | \$ 49,706 |
| CTWP | IT Equip | 4.44% | 2021 | 286,108 | - | 286,108 | (7,444) | 278,664 | 7,472 |
| Total Capital Leases Payable | | | | | \$ 206,067 | \$ 286,108 | \$ (53,971) | \$ 438,204 | \$ 57,178 |

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

The following is a schedule of the future minimum lease payments for the master lease/purchase agreements together with the present value of the net minimum lease payments at August 31, 2018.

| Year Ending August 31, | Amount |
|--|-------------------|
| 2019 | \$ 162,643 |
| 2020 | 162,643 |
| 2021 | 154,142 |
| | <hr/> |
| Total Minimum Lease Payments | 479,428 |
| Less: Amount Representing Interest | (41,224) |
| | <hr/> |
| Present Value of Future Minimum Lease Payments | <u>\$ 438,204</u> |

Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2018, was as follows:

| Governmental Activities: | Amount Outstanding 09/01/17 | Additions | Reductions | Amount Outstanding 08/31/18 | Due Within One Year |
|-------------------------------|-----------------------------------|----------------------|-----------------------|-----------------------------------|------------------------|
| Bonds Payable | \$ 65,515,000 | \$ - | \$ (4,475,000) | \$ 61,040,000 | \$ 4,015,000 |
| Unamortized Premiums | 4,706,749 | - | (252,689) | 4,454,060 | 252,689 |
| Notes Payable | - | 11,500,000 | - | 11,500,000 | - |
| Capital Leases | 206,067 | 286,108 | (53,971) | 438,204 | 141,221 |
| | <hr/> | | | <hr/> | |
| Total | 70,427,816 | 11,786,108 | (4,781,660) | 77,432,264 | 4,408,910 |
| | <hr/> | | | <hr/> | |
| Other liabilities: | | | | | |
| Worker's Compensation | 921,459 | 378,846 | (630,270) | 670,035 | 268,014 |
| Health Claims | 53,948 | - | (53,948) | - | - |
| | <hr/> | | | <hr/> | |
| Total other liabilities | 975,407 | 378,846 | (648,218) | 670,035 | 268,014 |
| | <hr/> | | | <hr/> | |
| Total Governmental activities | | | | | |
| Long-term liabilities | <u>\$ 71,403,223</u> | <u>\$ 12,164,954</u> | <u>\$ (5,465,878)</u> | <u>\$ 78,102,299</u> | <u>\$ 4,676,924</u> |

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. UNEARNED REVENUES AND DEFERRED INFLOWS

Unearned revenues as of August 31, 2018, consisted of the following:

| | Major Funds | | Other Funds | Total |
|--|--------------|-------------------|-------------|--------------|
| | General Fund | Debt Service Fund | | |
| Grant Funds Received But Not Expended | \$ 2,472,841 | \$ 1,107,630 | \$ 604,649 | \$ 4,185,120 |

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, 2018, unavailable revenues reported as deferred inflows of resources in the governmental funds were as follows:

| | Major Funds | | Total Governmental Funds |
|---|--------------|-------------------|--------------------------|
| | General Fund | Debt Service Fund | |
| Unavailable Revenue – Property Taxes | \$ 2,139,071 | \$ 378,491 | \$ 2,517,562 |

The unavailable revenue of \$2,517,562 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, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2018, revenues from local and intermediate sources in the governmental funds consisted of the following:

| | Major Funds | | Other Funds | Total |
|--|---------------|-------------------|-------------|---------------|
| | General Fund | Debt Service Fund | | |
| Property Taxes | \$ 14,888,877 | \$ 2,658,017 | \$ - | \$ 17,546,894 |
| Penalties, Interest, and Other Tax-Related Income | 352,907 | 61,947 | - | 414,854 |
| Tuition & Fees | 7,389 | - | - | 7,389 |
| Investment Income | 984,981 | 79,854 | 1,083 | 1,065,918 |
| Rent | 194,940 | - | - | 194,940 |
| Donations and Local Grants | - | - | 190,833 | 190,833 |
| Insurance Recovery | 17,065 | - | - | 17,065 |
| Food Service Activity | 295,695 | - | - | 295,695 |
| Athletic Activity | 134,274 | - | - | 134,274 |
| Transportation | 171,982 | - | - | 171,982 |
| COSA-Pre K After School Program | 225,179 | - | - | 225,179 |
| Utility Rebate | 500,566 | - | - | 500,566 |
| Cooperative Rebate | 42,552 | - | - | 42,552 |
| After School Challenge Program | 134,975 | - | - | 134,975 |
| After School All Stars Program | 52,149 | - | - | 52,149 |
| DAEP Contract | 200,000 | - | - | 200,000 |
| Other | 122,622 | - | - | 122,622 |
| Total | \$ 17,926,153 | \$ 2,799,818 | \$ 191,916 | \$ 20,917,887 |

Revenues from local and intermediate sources in the proprietary funds consisted of \$1,694,648 for user charges.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. GENERAL FUND FEDERAL REVENUES

For the year ended August 31, 2018, revenues from federal programs included in the General Fund consisted of the following:

| Program or Source | CFDA Number | Amount |
|--|-------------|----------------------|
| National School Breakfast Program | 10.553 | \$ 2,318,544 |
| National School Lunch Program | 10.555 | 5,463,526 |
| USDA Donated Commodities | N/A | 116,779 |
| Fresh Fruits & Vegetables | N/A | 76,238 |
| School Health and Related Services (SHARS) | N/A | 2,248,282 |
| E-Rate | N/A | 676,676 |
| Interest Subsidy Qualified Energy Conservation Notes | N/A | 271,379 |
| ROTC | 12.xxx | 107,416 |
| Impact Aid | 84.041 | 79,925 |
| Medicaid Administrative Claiming Program | 93.778 | 56,754 |
| Indirect Cost* : | | |
| Title I, Part A Programs | 84.010A | 393,071 |
| IDEA-B Formula | 84.027A | 151,236 |
| IDEA-B Preschool | 84.173A | 2,183 |
| Carl D. Perkins Grant | 84.048A | 12,337 |
| Title III, Part A, ELA | 84.365A | 3,152 |
| Title II, Part A | 84.367A | 43,332 |
| Title IV, Part A, Subpart 1 | 84.424A | 2,239 |
| TOTAL | | <u>\$ 12,023,069</u> |

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

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

J. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters of which the District carries commercial insurance. The District established a limited risk management program for workers' compensation in 1989. "Premiums" are paid into the Internal Service Fund by General and Other funds based on actuarial estimates which consider the available net resources. The "Premiums" and available net resources are used to pay claims, administrative costs of the program and to establish claim reserves.

During fiscal year 2018, a total of \$713,458 was incurred in benefits and operating costs. An excess coverage insurance policy covers individual claims in excess of \$450,000 up to a maximum limit of \$1,000,000 for any one event.

The District holds aggregate excess insurance as follows:

| | |
|------------------------------|-------------|
| Aggregate retention rate: | 254% |
| Estimated Annual Premium: | \$493,802 |
| Minimum Aggregate retention: | \$1,258,007 |

Claims payable reported in the amount of \$670,035 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.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

| Fiscal Year | Beginning of Year Liability | Current Year Claims and Changes In Estimates | Claims Payments | End of Year Liability |
|-------------|--------------------------------|---|--------------------|-----------------------------|
| 2015-2016 | 827,229 | 275,505 | (418,435) | 684,299 |
| 2016-2017 | 684,299 | 869,597 | (632,437) | 921,459 |
| 2017-2018 | 921,459 | 378,846 | (630,270) | 670,035 |

K. DEFINED BENEFIT PENSION PLAN

Plan Description. The District participates in a cost-sharing multiple-employer defined benefit pension plan (Plan) that has a special funding situation. The Plan is administered by the Teacher Retirement System of Texas (TRS). 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 https://www.trs.texas.gov/TRS%20Documents/cafr_2017.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 2017 Comprehensive Annual Financial Report for TRS provides the following information regarding the Plan's fiduciary net position as of August 31, 2017.

| Net Pension Liability | Total |
|---|--------------------------|
| Total Pension Liability | \$ 179,336,534,819 |
| Less: Plan Fiduciary Net Position | (147,361,922,120) |
| Net Pension Liability | <u>\$ 31,974,612,699</u> |
| Net Position as percentage of Total Pension Liability | 82.17% |

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of credit service or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

| | Contribution Rates & Amounts | |
|---|------------------------------|--------------|
| | 2017 | 2018 |
| Member | 7.7% | 7.7% |
| Non-Employer Contributing Entity (NECE) (State) | 6.8% | 6.8% |
| Employer | 6.8% | 6.8% |
| Member (Employee) Contributions (1) | \$ 5,974,383 | \$ 5,895,301 |
| NECE On-Behalf Contributions (2) | \$ 3,384,944 | \$ 3,325,913 |
| Employer (District) Contributions (2) | \$ 2,825,698 | \$ 2,699,328 |

(1) Amounts obtained from District's records

(2) 2017 amounts provided by TRS; 2018 amounts obtained from District's records

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

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

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

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

| | |
|--|------------------------------------|
| Valuation Date | August 31, 2017 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 8.00% |
| Long-term expected Investment Rate of Return | 8.00% |
| Last year ending August 31 in 2017 to 2116 projection period (100 years) | 2116 |
| Inflation | 2.50% |
| Salary Increases Including Inflation | 3.50% to 9.50% including inflation |
| Payroll Growth Rate | 2.5% |
| 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.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

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, 2017 are summarized below:

| Asset Class | Target Allocation* | Long-Term Expected Geometric Real Rate of Return | Expected Contribution to Long-Term Portfolio Returns** |
|-------------------------------|--------------------|---|--|
| Global Equity | | | |
| U.S. | 18% | 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% |
| Stable Value | | | |
| 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% | - |
| Real Return | | | |
| 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% | - |
| Risk Parity | | | |
| Risk Parity | 5% | 6.7% | 0.3% |
| Inflation Expectation | | | 2.2% |
| Alpha | | | 1.0% |
| Total | 100% | 51.6% | 8.7% |

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

* Target allocations are based on the FY 2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY 2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contribution to long-term portfolio returns.

** 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 2017 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: | \$ 46,473,575 | \$ 27,567,629 | \$ 11,825,359 |

Healthcare Cost Trend Rates Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability using the assumed healthcare cost trend rate, as well as what the net OPEB Liability would be if the assumed healthcare cost trend rate used was 1% less than and 1% greater than the assumed healthcare cost trend rate

| | 1% Decrease in Healthcare Cost Trend Rate | Current Healthcare Cost Trend Rate | 1% Increase in Healthcare Cost Trend Rate |
|---|---|---------------------------------------|---|
| District's proportionate share of the net OPEB liability: | \$ 38,186,822 | \$ 45,864,553 | \$ 55,938,703 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, the District reported a liability of \$27,567,629 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 | \$ 27,567,629 |
| State's proportionate share that is associated with the District | <u>33,093,082</u> |
| Total | <u>\$ 60,660,711</u> |

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

At August 31, 2017, the District's proportion of the collective net pension liability was 0.0862172% which is an increase of 0.0020939% from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period. Refer to the notes to the Schedule of the District's Proportionate Share of the Net Pension Liability (Exhibit G-6) at page 69 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, 2018, the District recognized pension expense of \$6,310,895; and, \$3,325,913 of revenues and expenses for support provided by the State. At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Amount |
|--|--------------------------------------|-------------------------------------|----------------|
| Differences between expected and actual economic experience | \$ 403,327 | \$ (1,486,686) | \$ (1,083,359) |
| Changes in actuarial assumptions | 1,255,749 | (718,887) | 536,862 |
| Differences between projected and actual investment earnings | - | (2,009,069) | (2,009,069) |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 3,904,026 | (323,800) | 3,580,226 |
| Total as of August 31, 2017 measurement date | \$ 5,563,102 | \$ (4,538,442) | \$ 1,024,660 |

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

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 |
|------------------------|------------------------|
| 2019 | \$ (19,079) |
| 2020 | 1,740,634 |
| 2021 | (154,281) |
| 2022 | (653,905) |
| 2023 | 57,063 |
| Thereafter | 54,229 |
| Total | <u>\$ 1,024,661</u> |

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Totals as of the August 31, 2017 measurement date | \$ 5,563,102 | \$ (4,538,442) |
| Contributions paid to TRS subsequent to the measurement date | <u>2,699,328</u> | <u>-</u> |
| Total As Reported at August 31, 2018 | <u>\$ 8,262,430</u> | <u>\$ (4,538,442)</u> |

L. OTHER POST EMPLOYMENT BENEFITS

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

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2017.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

| Net OPEB Liability | Total |
|--|--------------------------|
| Total OPEB Liability | \$ 43,885,784,621 |
| Less: Plan Fiduciary Net Position | <u>399,535,986</u> |
| Net OPEB Liability | <u>\$ 43,486,248,635</u> |
| Net Position as a percentage of Total OPEB Liability | 0.91% |

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

| TRS-Care Plan Premium Rates | | | |
|---|--------------------------|-----------------------------|-----------------------------|
| Effective September 1, 2016 – December 31, 2017 | | | |
| | TRS-Care 1 Basic Plan | TRS-Care 2 Optional Plan | TRS-Care 3 Optional Plan |
| Retiree* | \$ 0 | \$ 70 | \$ 100 |
| Retiree and Spouse | 20 | 175 | 255 |
| Retiree* and Children | 41 | 132 | 182 |
| Retiree and Family | 61 | 237 | 337 |
| Surviving Children only | 28 | 62 | 82 |

* or surviving spouse

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

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the aggregate annual compensation paid to members during the fiscal year. Section 1575.203 establishes the active member's rate which is 0.65% of the member's annual compensation. Section 1575.204 establishes an employer contribution rate of not less than 0.25% and not more than 0.75% of the annual compensation of each active member. The actual employer contribution rate is prescribed by the Texas Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

| Contribution Rates | | | | | |
|---|--|--|--|-------------|-------------|
| | | | | <u>2017</u> | <u>2018</u> |
| Member | | | | 0.65% | 0.65% |
| Non-Employer Contributing Entity (NECE) (State) | | | | 1.00% | 1.25% |
| Employers | | | | 0.55% | 0.75% |
| Federal/Private Funding remitted by Employers | | | | 1.00% | 1.25% |
| Employer Contributions (2) | | | | \$548,335 | \$719,473 |
| Member Contributions (1) | | | | 504,330 | 569,895 |
| NECE On-behalf Contributions (2) | | | | 657,121 | 803,308 |

(1) Amounts obtained from District's records.

(2) 2017 amounts provided by TRS; 2018 amounts obtained from District's records.

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$212 million in fiscal year 2018.

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

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

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

Additional Actuarial Methods and Assumptions:

| | |
|--|--|
| Valuation Date | August 31, 2017 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Inflation | 2.50% |
| Discount Rate | 3.42% |
| Aging Factors | Based on plan specific experience |
| Expenses | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs. |
| Payroll Growth Rate | 2.50% |
| Projected Salary Increases* | 3.50% to 9.50% |
| Healthcare Trend Rates | 4.50% to 12.00% |
| Election Rates | Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65 |
| Ad hoc post-employment benefit charges | None |

* included inflation of 2.5%

Other Information:

There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

Discount Rate. A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

| | 1% Decrease in Discount Rate (2.42%) | Current Single Discount Rate (3.42%) | 1% Increase in Discount Rate (4.42%) |
|---|---|--|--|
| District's proportionate share of the net OPEB liability: | \$ 54,131,558 | \$ 45,864,553 | \$ 39,219,744 |

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, the District reported a liability of \$45,864,553 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

| | |
|---|-----------------------|
| District's proportionate share of the collective Net OPEB Liability | \$ 45,864,553 |
| State's proportionate share that is associated with the District | 54,963,792 |
| Total | <u>\$ 100,828,345</u> |

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the District's proportion of the collective Net OPEB Liability was .105469%. Since this is the first year of implementation, the District's proportion measured as of August 31, 2016 was not computed.

Changes Since the Prior Actuarial Valuation –

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

Refer to the notes to the Schedule of the District's Proportionate Share of the Net OPEB Liability (Exhibit G-8) at page 71 for a list of significant actuarial assumptions and other inputs that affected the measurement of the total OPEB liability during the measurement period.

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

For the year ended August 31, 2018, the District recognized a net decrease in OPEB expense of \$(15,383,541). The District also recorded a net decrease in revenue and expense of \$(18,392,346) for on-behalf support provided by the State.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Amount |
|--|---|-------------------------------------|------------------------|
| Differences between expected and actual economic experience | \$ - | \$ (957,457) | \$ (957,457) |
| Changes in actuarial assumptions | - | (18,227,772) | (18,227,772) |
| Differences between projected and actual investment earnings | 6,967 | - | 6,967 |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 213 | - | 213 |
| Total as of August 31, 2017 measurement date | <u>\$ 7,180</u> | <u>\$ (19,185,229)</u> | <u>\$ (19,178,049)</u> |

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

| Year ended August 31: | OPEB Expense Amount |
|-----------------------|------------------------|
| 2019 | \$ (2,530,565) |
| 2020 | (2,530,565) |
| 2021 | (2,530,565) |
| 2022 | (2,530,565) |
| 2023 | (2,532,307) |
| Thereafter | (6,523,482) |
| Total | <u>\$ (19,178,049)</u> |

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Totals as of the August 31, 2017 measurement date | \$ 7,180 | \$ (19,185,229) |
| Contributions paid to TRS subsequent to the measurement date | 719,473 | - |
| Total as reported at August 31, 2018 | <u>\$ 726,653</u> | <u>\$ (19,185,229)</u> |

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

Expense activity is required to be recorded by the District due to participation in the cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level for the District.

During the year under audit, the NECE expenses were negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a decrease to on-behalf revenue and a decrease to on-behalf expenses in excess of the normal revenue and expense allocated to the District. As a result, the District reports negative revenue for operating grants and contributions on the Statement of Activities.

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

| Function | Operating Grants and Contributions | Negative On-Behalf Accruals | Operating Grants and Contributions (Excluding On-Behalf Accruals) |
|---|--|-----------------------------------|--|
| 11 Instruction | \$ (227,512) | \$ (10,403,667) | \$ 10,176,155 |
| 12 Instructional Resources and Media Services | (188,431) | (222,057) | 33,626 |
| 13 Curriculum and Instructional Staff Development | 3,856,499 | (642,374) | 4,498,873 |
| 21 Instructional Leadership | (138,148) | (470,116) | 331,968 |
| 23 School Leadership | (441,433) | (1,342,043) | 900,610 |
| 31 Guidance, Counseling and Evaluation Services | (658,928) | (868,885) | 209,957 |
| 32 Social Work Services | (204,030) | (302,205) | 98,175 |
| 33 Health Services | 2,151,845 | (279,548) | 2,431,393 |
| 34 Student (Pupil) Transportation | (229,657) | (371,034) | 141,377 |
| 35 Food Services | 7,703,672 | - | 7,703,672 |
| 36 Extracurricular Activities | (258,011) | (315,660) | 57,649 |
| 41 General Administration | 87,133 | (651,371) | 738,504 |
| 51 Facilities Maintenance and Operations | (637,990) | (1,507,917) | 869,827 |
| 52 Security and Monitoring Services | 174,527 | (594,420) | 768,947 |
| 53 Data Processing Services | (357,557) | (421,025) | 63,468 |
| 61 Community Services | 836,710 | (24) | 836,734 |
| 72 Interest on Long-Term Debt | 271,379 | - | 271,379 |
| 93 Payments to Fiscal Agent/Member Districts of SSA | 94,709 | - | 94,709 |
| Totals | \$ 11,834,777 | \$ (18,392,346) | \$ 30,227,123 |

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

M. MEDICARE PART D

Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One provision of the law allows TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible participants. These payments totaled \$242,769, \$230,559, and \$292,791 for fiscal years 2018, 2017, and 2016, respectively. Revenue and expenditures equal to the amount paid by the federal government were recognized during the fiscal year.

N. HEALTH CARE AND LIFE INSURANCE COVERAGE

As of January 1, 2017, the District implemented a fully insured employee health and life insurance care plan. Under the fully insured health care plan during the fiscal year ended August 31, 2018, 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 \$8,100,659.

In previous years, the District established the Health Claims Self-insurance fund, an internal service fund to account for and finance its uninsured risk of loss from health claims of District employees, their spouses and dependents. Under the program, the District provided coverage for up to a maximum of \$200,000 per claim. The District purchased stop-loss coverage to provide a maximum limit of \$1,000,000. During fiscal year 2018, a total of \$17,544 was incurred in benefits and operating costs. The provision for unpaid self-insurance losses is included as claims payable of the internal service fund. The liability is based upon claim experience and the projected time lag in settling such claims and actual claims paid after year end. In prior years, the District contributed to the health insurance fund a payment of \$320 per month per covered employee. Under the plan the employee could elect coverage under different plan options and could elect coverage for dependents which result in the collection of employee payroll deductions to cover the excess cost of the selected options and dependent care coverage.

All funds of the District ceased participation in the program as of December 31, 2016. Therefore, only available net resources were used to pay claims, administrative costs of the program and to establish future claim reserves during the fiscal year ended August 31, 2018.

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

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

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

| Fiscal Year | Beginning of Year Liability | Current Year Claims and Changes In Estimates | Claim Payments | End of Year Liability |
|-------------|-----------------------------|--|----------------|-----------------------|
| 2016 | \$ 968,425 | \$ 9,602,771 | \$ (9,549,545) | \$ 1,021,651 |
| 2017 | \$ 1,021,651 | \$ 1,363,759 | \$ (2,331,462) | \$ 53,948 |
| 2018 | \$ 53,948 | \$ (37,046) | \$ (16,902) | \$ - |

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, 2018, 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 \$2,216,202.

P. PRIOR PERIOD RESTATEMENT

During fiscal year 2018, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. With GASB Statement No. 75, the District must assume their proportionate share of the Net Postemployment Benefits Other Than Pensions (OPEB) Liability of the Teachers Retirement System of Texas. Adoption of the GASB Statement required a prior period adjustment to retroactively report the effect.

(Continued)

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

The impact of the prior period adjustment was to restate beginning net position reported in the government-wide Statement of Net Position, as follows:

| Description | | Amount |
|--|-----------------|----------------|
| Net Position – August 31, 2017 (as reported) | | \$ 114,383,113 |
| District's Proportionate Share of Net OPEB Liability (measurement date) | \$ (80,971,551) | |
| Deferred Outflows – District's 2017 contributions | 548,335 | |
| Total Prior Period Adjustment | | (80,423,216) |
| Net Position – August 31, 2017 (as restated) | | \$ 33,959,897 |

Q. SUBSEQUENT EVENT

On September 1, 2018, the District entered into a master lease agreement in the amount of \$1,470,461 with Dell Financial Services, LLC for the lease of laptops and other information technology equipment. The lease meets the definition of a capital lease for accounting purposes and will be recorded at the present value of the future minimum lease payments of \$1,403,446 at the date of inception. The agreement is payable over 3 years with annual payments of \$490,154 and a final maturity date of August 31, 2021. The annual interest rate on the transaction is 4.85%. Ownership of the equipment transfers to the District at the end of the lease term, therefore the equipment will be included in capital assets in the amount of \$1,403,446 as property under capital lease during fiscal year 2019.

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, 2018

| 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 | \$ 15,723,663 | \$ 15,968,638 | \$ 17,926,153 | \$ 1,957,515 |
| 5800 | State Program Revenues | 78,021,724 | 78,021,724 | 78,036,558 | 14,834 |
| 5900 | Federal Program Revenues | 13,180,284 | 13,180,284 | 12,023,069 | (1,157,215) |
| 5020 | Total Revenues | 106,925,671 | 107,170,646 | 107,985,780 | 815,134 |
| | EXPENDITURES: | | | | |
| | Current: | | | | |
| 0011 | Instruction | 55,432,182 | 53,535,644 | 51,803,329 | 1,732,315 |
| 0012 | Instructional Resources and Media Services | 1,330,119 | 1,468,284 | 1,226,080 | 242,204 |
| 0013 | Curriculum and Instructional Staff Development | 3,779,018 | 4,019,193 | 3,679,592 | 339,601 |
| 0021 | Instructional Leadership | 2,912,860 | 2,991,234 | 2,770,784 | 220,450 |
| 0023 | School Leadership | 5,858,640 | 6,443,601 | 6,420,477 | 23,124 |
| 0031 | Guidance, Counseling and Evaluation Services | 3,946,055 | 4,114,724 | 4,061,140 | 53,584 |
| 0032 | Social Work Services | 1,371,896 | 1,448,692 | 1,322,852 | 125,840 |
| 0033 | Health Services | 1,473,438 | 1,558,786 | 1,434,644 | 124,142 |
| 0034 | Student (Pupil) Transportation | 1,916,929 | 2,418,024 | 1,855,118 | 562,906 |
| 0035 | Food Services | 9,006,343 | 9,064,812 | 8,354,260 | 710,552 |
| 0036 | Extracurricular Activities | 2,939,122 | 3,166,388 | 2,897,138 | 269,250 |
| 0041 | General Administration | 4,097,849 | 4,345,408 | 4,101,294 | 244,114 |
| 0051 | Facilities Maintenance and Operations | 12,448,953 | 12,944,198 | 12,035,082 | 909,116 |
| 0052 | Security and Monitoring Services | 2,475,193 | 2,510,838 | 2,327,181 | 183,657 |
| 0053 | Data Processing Services | 3,686,712 | 3,928,988 | 3,933,623 | (4,635) |
| 0061 | Community Services | 45,821 | 53,231 | 39,843 | 13,388 |
| | Debt Service: | | | | |
| 0071 | Principal on Long Term Debt | 210,610 | 580,610 | 53,971 | 526,639 |
| 0072 | Interest on Long Term Debt | - | 290,000 | 304,760 | (14,760) |
| 0073 | Bond Issuance Cost and Fees | - | 215,000 | 212,766 | 2,234 |
| | Capital Outlay: | | | | |
| 0081 | Facilities Acquisition and Construction | 9,566,163 | 10,719,468 | 8,152,036 | 2,567,432 |
| | Intergovernmental: | | | | |
| 0095 | Payments to Juvenile Justice Alternative Ed. Prg. | 55,000 | 55,000 | - | 55,000 |
| 0099 | Other Intergovernmental Charges | 120,000 | 123,000 | 122,619 | 381 |
| 6030 | Total Expenditures | 122,672,903 | 125,995,123 | 117,108,589 | 8,886,534 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | (15,747,232) | (18,824,477) | (9,122,809) | 9,701,668 |
| | OTHER FINANCING SOURCES (USES): | | | | |
| 7913 | Capital Leases | - | - | 286,108 | 286,108 |
| 7914 | Non-Current Loans | 16,567,032 | 12,622,032 | 11,500,000 | (1,122,032) |
| 8911 | Transfers Out (Use) | (2,010,000) | - | - | - |
| 7080 | Total Other Financing Sources (Uses) | 14,557,032 | 12,622,032 | 11,786,108 | (835,924) |
| 1200 | Net Change in Fund Balances | (1,190,200) | (6,202,445) | 2,663,299 | 8,865,744 |
| 0100 | Fund Balance - September 1 (Beginning) | 37,589,504 | 37,589,504 | 37,589,504 | - |
| 3000 | Fund Balance - August 31 (Ending) | \$ 36,399,304 | \$ 31,387,059 | \$ 40,252,803 | \$ 8,865,744 |

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, 2018

| | FY 2018 Plan Year 2017 | FY 2017 Plan Year 2016 | FY 2016 Plan Year 2015 | FY 2015 Plan Year 2014 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| District's Proportion of the Net Pension Liability (Asset) | 0.0862172% | 0.0841233% | 0.0883554% | 0.0665579% |
| District's Proportionate Share of Net Pension Liability (Asset) | \$ 27,567,629 | \$ 31,788,942 | \$ 31,232,458 | \$ 17,778,536 |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District | 33,093,082 | 41,099,516 | 39,562,339 | 33,597,581 |
| Total | <u>\$ 60,660,711</u> | <u>\$ 72,888,458</u> | <u>\$ 70,794,797</u> | <u>\$ 51,376,117</u> |
| District's Covered Payroll | \$ 77,589,381 | \$ 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 Payroll | 35.53% | 42.07% | 42.65% | 25.06% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 82.17% | 78.00% | 78.43% | 83.25% |

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

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

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

| | 2018 | 2017 | 2016 | 2015 |
|---|-------------------|---------------|---------------|---------------|
| Contractually Required Contribution | \$ 2,858,550 | \$ 2,809,709 | \$ 2,650,371 | \$ 2,595,027 |
| Contribution in Relation to the Contractually Required Contribution | (2,699,328) | (2,809,709) | (2,650,371) | (2,595,027) |
| Contribution Deficiency (Excess) | <u>\$ 159,222</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> |
| District's Covered Payroll | \$ 76,562,335 | \$ 77,589,381 | \$ 75,565,307 | \$ 73,234,062 |
| Contributions as a Percentage of Covered Payroll | 3.53% | 3.62% | 3.51% | 3.50% |

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

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

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

| | FY 2018 Plan Year 2017 |
|---|---------------------------|
| District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits | 0.1054691% |
| District's Proportionate Share of Net Post Employment Benefit Liability (Asset) | \$ 45,864,553 |
| State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) Associated with the District | 54,963,792 |
| Total | \$ 100,828,345 |
| District's Covered Payroll | \$ 77,589,381 |
| District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | 59.11% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 0.91% |

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

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

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

| | <u>2018</u> |
|---|------------------|
| Contractually Required Contribution | \$ 748,742 |
| Contribution in Relation to the Contractually Required Contribution | (719,473) |
| | <u>\$ 29,269</u> |
| Contribution Deficiency (Excess) | <u>29,269</u> |
| District's Covered Payroll | \$ 76,562,335 |
| Contributions as a Percentage of Covered Payroll | 0.94% |

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

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

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For The Year Ended August 31, 2018

Following are notes to Exhibit G-6 at page 69:

Changes of Benefit Terms

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

Changes of Assumptions

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
San Antonio, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For The Year Ended August 31, 2018

Following are notes to Exhibit G-8 at page 71:

Changes of Benefit Terms

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

Changes of Assumptions

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

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

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

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

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

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

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, 2018

| Data Control Codes | | 205 | 206 | 211 | 224 |
|--------------------------|--|---------------------|---------------------------|--|--------------------------|
| | | Head Start | Title X, Pt.C Homeless | Title I, A Improving Basic Program | IDEA - Part B Formula |
| ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | \$ - | \$ - | \$ - | \$ - |
| 1240 | Receivables from Other Governments | 1,232,678 | - | 1,677,695 | 667,475 |
| 1290 | Other Receivables | - | - | - | 290 |
| 1000 | Total Assets | <u>\$ 1,232,678</u> | <u>\$ -</u> | <u>\$ 1,677,695</u> | <u>\$ 667,765</u> |
| LIABILITIES | | | | | |
| 2110 | Accounts Payable | \$ 34,267 | \$ - | \$ 22,357 | \$ 2,040 |
| 2160 | Accrued Wages Payable | 206,864 | - | 89,528 | 120,875 |
| 2170 | Due to Other Funds | 972,779 | - | 1,542,146 | 533,744 |
| 2180 | Due to Other Governments | - | - | 20,997 | - |
| 2200 | Accrued Expenditures | 18,768 | - | 2,667 | 11,106 |
| 2300 | Unearned Revenues | - | - | - | - |
| 2000 | Total Liabilities | <u>1,232,678</u> | <u>-</u> | <u>1,677,695</u> | <u>667,765</u> |
| FUND BALANCES | | | | | |
| Restricted Fund Balance: | | | | | |
| 3450 | Federal or State Funds Grant Restriction | - | - | - | - |
| 3490 | Other Restricted Fund Balance | - | - | - | - |
| 3000 | Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ 1,232,678</u> | <u>\$ -</u> | <u>\$ 1,677,695</u> | <u>\$ 667,765</u> |

| 225 IDEA - Part B Preschool | 242 Summer Feeding Program | 244 Career and Technical - Basic Grant | 255 Title II, A Training and Recruiting | 263 Title III, A English Lang Acquisition | 274 GEAR UP | 289 Other Federal Special Revenue Funds | 385 Visually Impaired SSVI |
|-----------------------------------|-------------------------------------|---|--|--|------------------|--|-------------------------------------|
| \$ - | \$ 5,596 | \$ - | \$ - | \$ - | \$ 68,516 | \$ 4,286 | \$ - |
| 12,027 | - | 19,535 | 119,539 | 21,829 | 4,316 | 3,498 | - |
| - | - | - | - | - | - | - | - |
| <u>\$ 12,027</u> | <u>\$ 5,596</u> | <u>\$ 19,535</u> | <u>\$ 119,539</u> | <u>\$ 21,829</u> | <u>\$ 72,832</u> | <u>\$ 7,784</u> | <u>\$ -</u> |
| \$ - | \$ - | \$ - | \$ 93 | \$ - | \$ 5,153 | \$ 7,784 | \$ - |
| 1,653 | - | - | 4,177 | 1,673 | 5,200 | - | - |
| 10,206 | - | 19,535 | 115,269 | 20,156 | - | - | - |
| - | - | - | - | - | 396 | - | - |
| 168 | - | - | - | - | - | - | - |
| - | - | - | - | - | 62,083 | - | - |
| <u>12,027</u> | <u>-</u> | <u>19,535</u> | <u>119,539</u> | <u>21,829</u> | <u>72,832</u> | <u>7,784</u> | <u>-</u> |
| - | 5,596 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>-</u> | <u>5,596</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ 12,027</u> | <u>\$ 5,596</u> | <u>\$ 19,535</u> | <u>\$ 119,539</u> | <u>\$ 21,829</u> | <u>\$ 72,832</u> | <u>\$ 7,784</u> | <u>\$ -</u> |

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2018

| Data Control Codes | | 397 Advanced Placement Incentives | 401 Optional Extended Year Program | 410 State Textbook Fund | 429 Other State Special Revenue Funds |
|--------------------------|--|--|---|----------------------------------|--|
| ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | \$ - | \$ - | \$ 31,803 | \$ 1,745 |
| 1240 | Receivables from Other Governments | - | - | 458,351 | 350 |
| 1290 | Other Receivables | - | - | - | - |
| 1000 | Total Assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 490,154</u> | <u>\$ 2,095</u> |
| LIABILITIES | | | | | |
| 2110 | Accounts Payable | \$ - | \$ - | \$ - | \$ - |
| 2160 | Accrued Wages Payable | - | - | - | - |
| 2170 | Due to Other Funds | - | - | - | 350 |
| 2180 | Due to Other Governments | - | - | - | 1,395 |
| 2200 | Accrued Expenditures | - | - | - | - |
| 2300 | Unearned Revenues | - | - | 490,154 | 350 |
| 2000 | Total Liabilities | <u>-</u> | <u>-</u> | <u>490,154</u> | <u>2,095</u> |
| FUND BALANCES | | | | | |
| Restricted Fund Balance: | | | | | |
| 3450 | Federal or State Funds Grant Restriction | - | - | - | - |
| 3490 | Other Restricted Fund Balance | - | - | - | - |
| 3000 | Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 490,154</u> | <u>\$ 2,095</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 |
|--|---|------------------------------------|------------------------------------|---|--|
| \$ 97,326 | \$ 209,272 | \$ 1,350 | \$ 75,945 | \$ 77,295 | \$ 286,567 |
| - | 4,217,293 | - | - | - | 4,217,293 |
| 2,640 | 2,930 | - | - | - | 2,930 |
| <u>\$ 99,966</u> | <u>\$ 4,429,495</u> | <u>\$ 1,350</u> | <u>\$ 75,945</u> | <u>\$ 77,295</u> | <u>\$ 4,506,790</u> |
| \$ 782 | \$ 72,476 | \$ - | \$ - | \$ - | \$ 72,476 |
| - | 429,970 | - | - | - | 429,970 |
| - | 3,214,185 | 1,350 | 75,945 | 77,295 | 3,291,480 |
| - | 22,788 | - | - | - | 22,788 |
| - | 32,709 | - | - | - | 32,709 |
| 52,062 | 604,649 | - | - | - | 604,649 |
| <u>52,844</u> | <u>4,376,777</u> | <u>1,350</u> | <u>75,945</u> | <u>77,295</u> | <u>4,454,072</u> |
| - | 5,596 | - | - | - | 5,596 |
| 47,122 | 47,122 | - | - | - | 47,122 |
| <u>47,122</u> | <u>52,718</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>52,718</u> |
| <u>\$ 99,966</u> | <u>\$ 4,429,495</u> | <u>\$ 1,350</u> | <u>\$ 75,945</u> | <u>\$ 77,295</u> | <u>\$ 4,506,790</u> |

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

| Data Control Codes | 205 | 206 | 211 | 224 |
|---|------------|---------------------------|--|--------------------------|
| | Head Start | Title X, Pt.C Homeless | Title I, A Improving Basic Program | IDEA - Part B Formula |
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ - | \$ - | \$ - | \$ - |
| 5800 State Program Revenues | - | - | - | - |
| 5900 Federal Program Revenues | 4,716,660 | 15,975 | 5,746,486 | 2,148,333 |
| 5020 Total Revenues | 4,716,660 | 15,975 | 5,746,486 | 2,148,333 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 3,548,422 | 11,990 | 1,767,238 | 1,804,675 |
| 0012 Instructional Resources and Media Services | - | - | - | - |
| 0013 Curriculum and Instructional Staff Development | 300 | - | 3,018,575 | 243,587 |
| 0021 Instructional Leadership | - | 3,985 | 217,850 | 2,084 |
| 0023 School Leadership | 646,616 | - | 43,609 | - |
| 0031 Guidance, Counseling and Evaluation Services | - | - | - | 11,987 |
| 0032 Social Work Services | - | - | 52,000 | - |
| 0033 Health Services | 84,111 | - | 105 | - |
| 0034 Student (Pupil) Transportation | 85,444 | - | - | - |
| 0035 Food Services | 48,087 | - | - | - |
| 0036 Extracurricular Activities | - | - | - | - |
| 0041 General Administration | 31,472 | - | - | - |
| 0051 Facilities Maintenance and Operations | 269,805 | - | 10,682 | - |
| 0052 Security and Monitoring Services | - | - | 1,328 | - |
| 0061 Community Services | 2,403 | - | 540,390 | 86,000 |
| Capital Outlay: | | | | |
| 0081 Facilities Acquisition and Construction | - | - | - | - |
| Intergovernmental: | | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | - | - | 94,709 | - |
| 6030 Total Expenditures | 4,716,660 | 15,975 | 5,746,486 | 2,148,333 |
| 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 Title II, A Training and Recruiting | 263 Title III, A English Lang. Acquisition | 274 GEAR UP | 289 Other Federal Special Revenue Funds | 385 Visually Impaired SSVI |
|-----------------------------------|-------------------------------------|---|--|---|----------------|--|-------------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| - | - | - | - | - | - | - | 6,405 |
| 11,571 | - | 190,320 | 599,962 | 197,805 | 473,625 | 111,964 | - |
| 11,571 | - | 190,320 | 599,962 | 197,805 | 473,625 | 111,964 | 6,405 |
| 11,571 | - | 124,379 | - | - | 195,169 | 36,234 | 6,405 |
| - | - | - | - | - | - | - | - |
| - | - | 65,941 | 598,644 | 197,805 | 186,556 | 75,730 | - |
| - | - | - | - | - | 37,180 | - | - |
| - | - | - | 1,318 | - | 6,758 | - | - |
| - | - | - | - | - | 34,572 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | 13,390 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 11,571 | - | 190,320 | 599,962 | 197,805 | 473,625 | 111,964 | 6,405 |
| - | - | - | - | - | - | - | - |
| - | 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, 2018

| 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 | 9,690 | - | 644,594 | 14,031 |
| 5900 Federal Program Revenues | - | - | - | - |
| 5020 Total Revenues | 9,690 | - | 644,594 | 14,031 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | - | 11,289 | 644,594 | 10,225 |
| 0012 Instructional Resources and Media Services | - | - | - | - |
| 0013 Curriculum and Instructional Staff Development | 9,690 | - | - | 3,806 |
| 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 | - | - | - | - |
| Capital Outlay: | | | | |
| 0081 Facilities Acquisition and Construction | - | - | - | - |
| Intergovernmental: | | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | - | - | - | - |
| 6030 Total Expenditures | 9,690 | 11,289 | 644,594 | 14,031 |
| 1200 Net Change in Fund Balance | - | (11,289) | - | - |
| 0100 Fund Balance - September 1 (Beginning) | - | 11,289 | - | - |
| 3000 Fund Balance - August 31 (Ending) | \$ - | \$ - | \$ - | \$ - |

| 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 |
|--|---|------------------------------------|------------------------------------|---|--|
| \$ 190,833 | \$ 190,833 | \$ 23 | \$ 1,060 | \$ 1,083 | \$ 191,916 |
| 671 | 675,391 | - | - | - | 675,391 |
| - | 14,212,701 | - | - | - | 14,212,701 |
| 191,504 | 15,078,925 | 23 | 1,060 | 1,083 | 15,080,008 |
| 65,364 | 8,237,555 | - | - | - | 8,237,555 |
| 286 | 286 | - | - | - | 286 |
| 2,661 | 4,403,295 | - | - | - | 4,403,295 |
| - | 261,099 | - | - | - | 261,099 |
| - | 698,301 | - | - | - | 698,301 |
| 61,586 | 108,145 | - | - | - | 108,145 |
| 1,174 | 53,174 | - | - | - | 53,174 |
| - | 84,216 | - | - | - | 84,216 |
| - | 85,444 | - | - | - | 85,444 |
| - | 48,087 | - | - | - | 48,087 |
| 19,118 | 19,118 | - | - | - | 19,118 |
| 2,450 | 33,922 | - | - | - | 33,922 |
| 570 | 281,057 | - | - | - | 281,057 |
| 2,533 | 3,861 | - | - | - | 3,861 |
| 10,762 | 652,945 | - | - | - | 652,945 |
| - | - | 1,351 | 7,887 | 9,238 | 9,238 |
| - | 94,709 | - | - | - | 94,709 |
| 166,504 | 15,065,214 | 1,351 | 7,887 | 9,238 | 15,074,452 |
| 25,000 | 13,711 | (1,328) | (6,827) | (8,155) | 5,556 |
| 22,122 | 39,007 | 1,328 | 6,827 | 8,155 | 47,162 |
| \$ 47,122 | \$ 52,718 | \$ - | \$ - | \$ - | \$ 52,718 |

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Internal Service Funds

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AUGUST 31, 2018

| | 750 Health Claims Fund | 752 Print Shop | 753 Workers Compensation Fund | Total Internal Service Funds |
|--|---------------------------------|----------------------|--|------------------------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 1,190,841 | \$ - | \$ 3,375,650 | \$ 4,566,491 |
| Due from Other Funds | - | 30 | - | 30 |
| Total Current Assets | <u>1,190,841</u> | <u>30</u> | <u>3,375,650</u> | <u>4,566,521</u> |
| Noncurrent Assets: | | | | |
| Capital Assets: | | | | |
| Furniture and Equipment | - | 71,978 | - | 71,978 |
| Depreciation on Books and Media | - | (48,094) | - | (48,094) |
| Total Noncurrent Assets | <u>-</u> | <u>23,884</u> | <u>-</u> | <u>23,884</u> |
| Total Assets | <u>1,190,841</u> | <u>23,914</u> | <u>3,375,650</u> | <u>4,590,405</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | - | 9,959 | - | 9,959 |
| Short Term Claims Payable | - | - | 268,014 | 268,014 |
| Accrued Wages Payable | - | 425 | 1,227 | 1,652 |
| Due to Other Funds | - | 7,867 | 24 | 7,891 |
| Total Current Liabilities | <u>-</u> | <u>18,251</u> | <u>269,265</u> | <u>287,516</u> |
| NonCurrent Liabilities: | | | | |
| Claims Payable - Due in More than One Year | - | - | 402,021 | 402,021 |
| Total Noncurrent Liabilities | <u>-</u> | <u>-</u> | <u>402,021</u> | <u>402,021</u> |
| Total Liabilities | <u>-</u> | <u>18,251</u> | <u>671,286</u> | <u>689,537</u> |
| NET POSITION | | | | |
| Net Investment in Capital Assets | - | 23,884 | - | 23,884 |
| Unrestricted Net Position | <u>1,190,841</u> | <u>(18,221)</u> | <u>2,704,364</u> | <u>3,876,984</u> |
| Total Net Position | <u>\$ 1,190,841</u> | <u>\$ 5,663</u> | <u>\$ 2,704,364</u> | <u>\$ 3,900,868</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, 2018

| | 750 Health Claims Fund | 752 Print Shop | 753 Workers Compensation Fund | Total Internal Service Funds |
|--|---------------------------------|----------------------|--|------------------------------------|
| OPERATING REVENUES: | | | | |
| Local and Intermediate Sources | \$ 37,046 | \$ 70,721 | \$ 1,586,881 | \$ 1,694,648 |
| Total Operating Revenues | <u>37,046</u> | <u>70,721</u> | <u>1,586,881</u> | <u>1,694,648</u> |
| OPERATING EXPENSES: | | | | |
| Payroll Costs | - | 58,964 | 83,188 | 142,152 |
| Professional and Contracted Services | 642 | 21,796 | 378,847 | 401,285 |
| Supplies and Materials | - | 31,806 | - | 31,806 |
| Depreciation Expense | - | 13,042 | - | 13,042 |
| Total Operating Expenses | <u>642</u> | <u>125,608</u> | <u>462,035</u> | <u>588,285</u> |
| Operating Income (Loss) | <u>36,404</u> | <u>(54,887)</u> | <u>1,124,846</u> | <u>1,106,363</u> |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Earnings from Temporary Deposits & Investments | - | - | 20,387 | 20,387 |
| Total Nonoperating Revenues (Expenses) | <u>-</u> | <u>-</u> | <u>20,387</u> | <u>20,387</u> |
| Change in Net Position | 36,404 | (54,887) | 1,145,233 | 1,126,750 |
| Total Net Position - September 1 (Beginning) | <u>1,154,437</u> | <u>60,550</u> | <u>1,559,131</u> | <u>2,774,118</u> |
| Total Net Position August 31 (Ending) | <u>\$ 1,190,841</u> | <u>\$ 5,663</u> | <u>\$ 2,704,364</u> | <u>\$ 3,900,868</u> |

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

| | 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 | \$ - | \$ 70,721 | \$ - | \$ 70,721 |
| Cash Received from Assessments - Other Funds | 37,046 | - | 1,586,881 | 1,623,927 |
| Cash Payments to Employees for Services | - | (58,539) | (81,961) | (140,500) |
| Cash Payments for Insurance Claims | (54,036) | - | (630,249) | (684,285) |
| Cash Payments for Suppliers | - | (43,182) | - | (43,182) |
| Net Cash Provided by (Used for) Operating Activities | (16,990) | (31,000) | 874,671 | 826,681 |
| <u>Cash Flows from Investing Activities:</u> | | | | |
| Interest and Dividends on Investments | - | - | 20,387 | 20,387 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (16,990) | (31,000) | 895,058 | 847,068 |
| Cash and Cash Equivalents at Beginning of Year | 1,207,831 | 31,000 | 2,480,592 | 3,719,423 |
| Cash and Cash Equivalents at End of Year | <u>\$ 1,190,841</u> | <u>\$ -</u> | <u>\$ 3,375,650</u> | <u>\$ 4,566,491</u> |
| <u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u> | | | | |
| Operating Income (Loss): | \$ 36,404 | \$ (54,887) | \$ 1,124,846 | \$ 1,106,363 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities: | | | | |
| Depreciation | - | 13,042 | - | 13,042 |
| Effect of Increases and Decreases in Current Assets and Liabilities: | | | | |
| Decrease (increase) in Receivables | 554 | - | - | 554 |
| Increase (decrease) in Accounts Payable | - | 2,553 | - | 2,553 |
| Increase (decrease) in Accrued Wages Payable | - | 425 | 1,227 | 1,652 |
| Increase (decrease) in Claims Payable | (53,948) | - | (251,424) | (305,372) |
| Increase (decrease) in Interfund Charges | - | 7,867 | 22 | 7,889 |
| Net Cash Provided by (Used for) Operating Activities | <u>\$ (16,990)</u> | <u>\$ (31,000)</u> | <u>\$ 874,671</u> | <u>\$ 826,681</u> |

TEA Compliance Schedules

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2018

| Last 10 Years Ended August 31 | (1) | (2) | (3) |
|----------------------------------|-------------|--------------|--|
| | Tax Rates | | Assessed/Appraised Value for School Tax Purposes |
| | Maintenance | Debt Service | |
| 2009 and prior years | Various | Various | \$ Various |
| 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 | 1,089,862,746 |
| 2017 | 1.170000 | 0.185900 | 1,212,655,598 |
| 2018 (School year under audit) | 1.170000 | 0.215180 | 1,334,459,018 |
| 1000 TOTALS | | | |

| (10) Beginning Balance 9/1/2017 | (20) Current Year's Total Levy | (31) Maintenance Collections | (32) Debt Service Collections | (40) Entire Year's Adjustments | (50) Ending Balance 8/31/2018 |
|--|---|------------------------------------|-------------------------------------|---|--|
| \$ 737,601 | \$ - | \$ 25,686 | \$ 4,635 | \$ (34,426) | \$ 672,854 |
| 125,053 | - | 6,790 | 1,451 | (1,944) | 114,868 |
| 121,783 | - | 8,447 | 1,805 | (1,832) | 109,699 |
| 136,189 | - | 9,941 | 2,017 | (1,692) | 122,539 |
| 167,779 | - | 23,860 | 4,650 | 5,905 | 145,174 |
| 175,966 | - | 25,788 | 4,686 | 7,456 | 152,948 |
| 217,534 | - | 30,512 | 5,025 | (6,056) | 175,941 |
| 316,920 | - | 46,238 | 7,347 | (65,787) | 197,548 |
| 799,935 | - | 206,099 | 32,747 | (222,110) | 338,979 |
| - | 17,830,190 | 14,029,100 | 2,580,133 | (214,170) | 1,006,787 |
| <u>\$ 2,798,760</u> | <u>\$ 17,830,190</u> | <u>\$ 14,412,461</u> | <u>\$ 2,644,496</u> | <u>\$ (534,656)</u> | <u>\$ 3,037,337</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, 2018

| 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 | \$ 375,000 | \$ 375,000 | \$ 324,183 | \$ (50,817) |
| 5800 State Program Revenues | 44,500 | 44,500 | 42,321 | (2,179) |
| 5900 Federal Program Revenues | 9,381,063 | 9,381,063 | 7,975,088 | (1,405,975) |
| 5020 Total Revenues | 9,800,563 | 9,800,563 | 8,341,592 | (1,458,971) |
| EXPENDITURES: | | | | |
| 0035 Food Services | 8,809,615 | 8,868,084 | 8,354,260 | 513,824 |
| 0051 Facilities Maintenance and Operations | 287,266 | 298,956 | 385,937 | (86,981) |
| 6030 Total Expenditures | 9,096,881 | 9,167,040 | 8,740,197 | 426,843 |
| 1200 Net Change in Fund Balances | 703,682 | 633,523 | (398,605) | (1,032,128) |
| 0100 Fund Balance - September 1 (Beginning) | 2,602,985 | 2,602,985 | 2,602,985 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 3,306,667 | \$ 3,236,508 | \$ 2,204,380 | \$ (1,032,128) |

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, 2018

| 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 | \$ 2,329,974 | \$ 2,329,974 | \$ 2,799,818 | \$ 469,844 |
| 5800 State Program Revenues | 4,967,333 | 4,967,333 | 4,526,930 | (440,403) |
| 5020 Total Revenues | 7,297,307 | 7,297,307 | 7,326,748 | 29,441 |
| EXPENDITURES: | | | | |
| Debt Service: | | | | |
| 0071 Principal on Long Term Debt | 7,297,307 | 4,475,000 | 4,475,000 | - |
| 0072 Interest on Long Term Debt | - | 2,818,307 | 2,818,306 | 1 |
| 0073 Bond Issuance Cost and Fees | - | 4,000 | 800 | 3,200 |
| 6030 Total Expenditures | 7,297,307 | 7,297,307 | 7,294,106 | 3,201 |
| 1200 Net Change in Fund Balances | - | - | 32,642 | 32,642 |
| 0100 Fund Balance - September 1 (Beginning) | 2,341,568 | 2,341,568 | 2,341,568 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 2,341,568 | \$ 2,341,568 | \$ 2,374,210 | \$ 32,642 |

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COMPLIANCE SECTION

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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

School Board
Edgewood Independent School District
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Edgewood Independent School District (the District), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2018.

Internal Control Over Financial Reporting

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

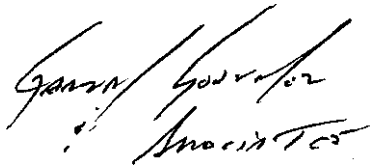
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 December 19, 2018.

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" on a new line.

December 19, 2018

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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

School Board
Edgewood Independent School District
San Antonio, Texas

Report on Compliance for Each Major Federal Program

We have audited Edgewood Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2018. 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, 2018.

Report on Internal Control Over Compliance

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

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

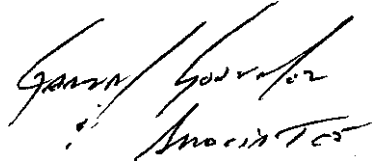
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

Other Matters

We noted a certain matter that we reported to management of the District in a separate letter dated December 19, 2018.

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 "Gordon/Gordon" with a date "12/19/18" written below it.

December 19, 2018

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EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended August 31, 2018

SECTION I --- SUMMARY OF AUDITORS' RESULTS

| | | | |
|------------------------------------|--|------------|----------------------------|
| <i>Financial Statements</i> | | | |
| | 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 |

| | | | |
|------------------------------|--|------------|----------------------------|
| <i>Federal Awards</i> | | | |
| | 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, 2018

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

| <i>Identification of Major Programs</i> | | | |
|---|--|------------------------------------|---|
| | CFDA Numbers(s) | Name of Federal Program or Cluster | |
| | 93.600 | Head Start | |
| | 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, 2018

There were no prior audit findings reported.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

| (1) | (2) | (3) | (4) |
|---|---------------------------|--|-------------------------|
| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
| U.S. DEPARTMENT OF DEFENSE | | | |
| <u>Direct Programs</u> | | | |
| ROTC | 12.xxx | N/A | \$ 107,416 |
| Total Direct Programs | | | 107,416 |
| TOTAL U.S. DEPARTMENT OF DEFENSE | | | 107,416 |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <u>Direct Programs</u> | | | |
| Impact Aid - P.L. 81.874 | 84.041 | N/A | 79,925 |
| Total Direct Programs | | | 79,925 |
| <u>Passed Through The University of Texas at Austin</u> | | | |
| GEAR UP-To College & Beyond | 84.334S | 41605 | 144,841 |
| Total Passed Through The University of Texas at Austin | | | 144,841 |
| <u>Passed Through ESC Region 20</u> | | | |
| Title X, Part C -Homeless Children | 84.196A | 206662802 | 15,975 |
| Total Passed Through ESC Region 20 | | | 15,975 |
| <u>Passed Through State Department of Education</u> | | | |
| Title I 1003(A) Priority & Focus | 84.010A | 17610112015905000 | 27,520 |
| Title I, Part A - Improving Basic Programs | 84.010A | 18610101015905 | 5,895,388 |
| 2017-2019 School Redesign Grant | 84.010A | 186101207110001 | 132,998 |
| Title I 1003 - School Improvement | 84.010A | 18610123015905 | 83,648 |
| Total CFDA Number 84.010A | | | 6,139,554 |
| *IDEA - Part B, Formula | 84.027A | 186600010159056000 | 2,299,570 |
| *IDEA - Part B, Preschool | 84.173A | 186610010159056000 | 13,754 |
| Total Special Education Cluster (IDEA) | | | 2,313,324 |
| Carl D. Perkins Grant | 84.048A | 18420006015905 | 202,657 |
| GEAR UP | 84.334S | 185110017110001 | 328,783 |
| Title III, Part A - English Language Acquisition | 84.365A | 18671001015905 | 200,957 |
| Title II, Part A, Supporting Effective Instruction | 84.367A | 17694501015905 | 10,260 |
| Title II, Part A, Supporting Effective Instruction | 84.367A | 18694501015905 | 633,035 |
| Total CFDA Number 84.367A | | | 643,295 |
| Summer School LEP | 84.369A | 69551702 | 7,123 |
| Title IV, Part A, Subpart 1 | 84.424A | 18680101015905 | 107,081 |
| Total Passed Through State Department of Education | | | 9,942,774 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | 10,183,515 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| <u>Passed Through Texas Dept of Human Services</u> | | | |
| Medicaid Administrative Claiming Program - MAC | 93.778 | N/A | 56,754 |
| Total Passed Through Texas Dept of Human Services | | | 56,754 |
| <u>Passed Through State Department of Education</u> | | | |
| Head Start | 93.600 | 4600015912 | 2,097,322 |
| Head Start | 93.600 | 4600017111 | 2,619,338 |
| Total CFDA Number 93.600 | | | 4,716,660 |
| Total Passed Through State Department of Education | | | 4,716,660 |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | 4,773,414 |

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, 2018

| (1) | (2) | (3) | (4) |
|---|---------------------------|--|-------------------------|
| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <u>Passed Through the State Department of Agriculture</u> | | | |
| *School Breakfast Program | 10.553 | 71401801 | 2,318,544 |
| *National School Lunch Program - Cash Assistance | 10.555 | 71301801 | 5,463,526 |
| *National School Lunch Prog. - Non-Cash Assistance | 10.555 | 71301801 | 116,779 |
| Total CFDA Number 10.555 | | | 5,580,305 |
| Total Child Nutrition Cluster | | | 7,898,849 |
| Fresh Fruit & Vegetable Program | 10.582 | N/A | 76,238 |
| Total Passed Through the State Department of Agriculture | | | 7,975,087 |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | 7,975,087 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 23,039,433 |

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2018

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

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

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

The accompanying Schedule of Expenditures of Federal Awards (SEFA), Exhibit K-1, includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2018. The information is presented in accordance with the requirements of *Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

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

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

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

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
San Antonio, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2018

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 May 1, 2017, TEA approved the District's indirect cost rate proposal. The approved rates were effective from July 1, 2017 through June 30, 2018.
6. The expenditures shown on the SEFA does not include School Health and Related Services (SHARS), E-Rate program, and Qualified Energy Conservation Notes (QECN) interest subsidy, recorded in the General Fund, since the revenue for those programs are not considered federal financial assistance as defined by the Uniform Guidance. A reconciliation of the expenditures reported in the SEFA to reported federal revenues shown on Exhibit C-3 is as follows:

| | |
|---|----------------------|
| Total Federal Revenues reported on Schedule C-3 | \$ 26,235,770 |
| Less: SHARS | (2,248,282) |
| Less: E-Rate | (676,676) |
| Less: QECN interest subsidy | (271,379) |
| Amount reported on the SEFA | <u>\$ 23,039,433</u> |

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