

EDGEWOOD INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2014

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014

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CERTIFICATE OF BOARD

Edgewood Independent School District
Name of School District

Van Zandt
County

234-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved _____ disapproved for the year ended August 31, 2014 at a meeting of the Board of Trustees of such school district on the 2nd day of December, 2014.

/s/ Keesha Paul

/s/ Jody McPherson

Signature of Board **Secretary**

Signature of Board **President**

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is(are):
(attach list as necessary)

Morgan, Davis, & Company, P.C.
Post Office Box 8158
Greenville, Texas 75404

**Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Other
Supplementary Information including the Supplementary Schedule of Expenditures of Federal Awards**

Independent Auditor's Report

Edgewood Independent School District
804 East Pine
Edgewood, Texas 75117

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 Edgewood Independent School District as of and for the year ended August 31, 2014 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Edgewood Independent School District as of August 31, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6-10 and Budgetary Comparison Schedule-General Fund on page 42 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 Edgewood Independent School District's basic financial statements. The Combining Statements for Nonmajor Governmental Funds on pages 44-50, and the Schedule of Expenditures of Federal Awards required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* on page 65 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Statements for Nonmajor Governmental Funds 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, the Combining Statements for Nonmajor Governmental Funds and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1, J-2, & J-3. We have applied certain limited procedures to this supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014 on our consideration of Edgewood Independent School 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 Edgewood Independent School District's internal control over financial reporting and compliance.

/s/ Morgan, Davis, & Company, P.C.

Morgan, Davis, & Company, P.C.
Greenville, Texas

November 20, 2014

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2014

In this section of the Annual Financial and Compliance Report, we, the administrators of Edgewood Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2014. Please read it in conjunction with the District's Basic Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position increased by \$431,922 as a result of this year's operations.
- The District's assets exceeded its liabilities at the close of the most recent fiscal year by \$4,968,472 which represents the District's total combined net position. Of this amount, \$2,759,762 (unrestricted net position) may be used to meet the District's ongoing obligations.
- As of August 31, 2014, the District's governmental funds reported a combined fund balance of \$2,983,331 compared to \$2,457,158 for the last fiscal year. The General Fund reported a fund balance of \$2,573,404 this fiscal year compared to \$2,108,300 the last fiscal year.
- The District's total tax rate for the 2013-2014 school year was \$ 1.234 with \$ 1.170 for maintenance & operation and \$ 0.064 for debt service.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 12 and 13). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 14) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 22) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by T.E.A. The section labeled Required Texas Education Agency Schedules contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 12. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has one kind of activity:

- Governmental activities—All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the ESEA Title 1 Part A from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes. The District's two kinds of funds—governmental and proprietary—use different accounting approaches.

- Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service funds (a category of proprietary funds) report activities that provide services for the District's other programs and activities—such as the District's self-insurance programs.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page 21. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District is presenting government-wide financial analysis in the form of current year data and prior year data and the changes in these accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from \$4,536,550 last year to \$4,968,472 at August 31, 2014. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$2,353,588 last year to \$2,759,762 at August 31, 2014.

Changes in net position of the District's governmental activities were a \$894,931 increase last year compared to a \$431,922 increase at August 31, 2014.

Table I
Edgewood Independent School District
NET POSITION

	Governmental Activities 8/31/2014	Governmental Activities 8/31/2013	Net Change
Current and other assets	\$3,480,163	\$3,409,726	\$70,437
Capital assets	8,897,978	9,356,688	(458,710)
Total assets	<u>\$12,378,141</u>	<u>\$12,766,414</u>	<u>(\$388,273)</u>
Current and other liabilities	\$310,474	\$707,280	(\$396,806)
Long-term liabilities	7,099,195	7,522,584	(423,389)
Total liabilities	<u>\$7,409,669</u>	<u>\$8,229,864</u>	<u>(\$820,195)</u>
Net Position:			
Net Investment in Capital Assets	\$1,798,783	\$1,834,104	(\$35,321)
Restricted	409,927	348,858	61,069
Unrestricted	2,759,762	2,353,588	406,174
Total net position	<u>\$4,968,472</u>	<u>\$4,536,550</u>	<u>\$431,922</u>

Table II
Edgewood Independent School District
CHANGES IN NET POSITION

	Governmental Activities Yr Ended 8/31/2014	Governmental Activities Yr Ended 8/31/2013	Net Change
Revenues:			
Program Revenues:			
Charges for Services	\$1,400,541	\$1,511,823	(\$111,282)
Operating grants and contributions	2,351,089	2,669,827	(318,738)
General Revenues:			
Maintenance and operations taxes	2,533,911	2,536,119	(2,208)
Debt service taxes	138,709	95,256	43,453
State aid - formula grants	5,461,116	4,793,483	667,633
Grants & Contributions not restricted to specific functions	4,326	35,419	(31,093)
Investment Earnings	4,518	5,614	(1,096)
Miscellaneous	123,548	69,694	53,854
Total Revenue	\$12,017,758	\$11,717,235	\$300,523
Expenses:			
Instruction, curriculum and media services	\$6,168,384	\$5,739,102	\$429,282
Instructional and school leadership	716,871	777,470	(60,599)
Student support services	1,333,629	1,406,941	(73,312)
Child nutrition	444,819	435,202	9,617
Co curricular activities	396,555	363,801	32,754
General administration	315,903	346,778	(30,875)
Plant maintenance, security & data processing	1,289,356	1,105,553	183,803
Community services	0	0	0
Debt services	295,562	313,917	(18,355)
Payments to fiscal agents	280,167	283,397	(3,230)
Other intergovernmental charges	60,792	58,153	2,639
Total Expenses	\$11,302,038	\$10,830,314	\$471,724
Increase in net position before transfers and special items	\$715,720	\$886,921	(\$171,201)
Transfers	0	0	0
Special Items - Gain or (Loss) on Asset Sale	(283,798)	8,000	(291,798)
Net position at Beginning of Fiscal Year	4,536,540	3,641,619	894,921
Net position at End of Fiscal Year	\$4,968,462	\$4,536,540	\$431,922

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in Exhibit C-3 on page 16) reported a combined fund balance of \$2,983,331 compared to \$2,457,158 for the last fiscal year. The District's General Fund reported a fund balance increase of \$465,104, ending the year with \$2,573,404. The District's Special Revenue Funds reported a fund balance increase of \$29,809, ending the year with \$374,763. The District's Debt Service Fund reported a fund balance increase of \$31,260, ending the year with \$35,164.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments included amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2013) and amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

During the year ended August 31, 2014, the District invested \$254,568 in capital assets, consisting of the purchase of a 20 foot cargo trailer, an ag truck, and three school buses. Regarding assets retired, this was the amount of assets that were disposed of regarding the dissolving of the special education shared service arrangement.

Capital asset activity for the year ended August 31, 2014 was as follows:

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Land	\$271,222	\$0	\$0	\$271,222
Buildings & Improvements	13,219,761	0	0	13,219,761
Equipment & Vehicles	2,224,200	254,568	(800,825)	1,677,943
Capital Lease Property	2,937,342	0	0	2,937,342
Totals at Historical Cost	<u>18,652,525</u>	<u>254,568</u>	<u>(800,825)</u>	<u>18,106,268</u>
Less accumulated depreciation for:				
Buildings & Improvements	(6,740,936)	(254,321)	0	(6,995,257)
Equipment	(1,416,358)	(123,713)	517,027	(1,023,044)
Capital Lease Property	(1,138,543)	(51,446)	0	(1,189,989)
Total accumulated depreciation	<u>(9,295,837)</u>	<u>(429,480)</u>	<u>517,027</u>	<u>(9,208,290)</u>
Capital Assets, Net	<u>\$9,356,688</u>	<u>(\$174,912)</u>	<u>(\$283,798)</u>	<u>\$8,897,978</u>

Debt:

At year-end August 31, 2014, the District had \$5,074,760 outstanding in bonds compared to \$5,404,972 last year. Also, the District had \$415,090 outstanding in loans compared to \$432,533 last year, and \$1,609,345 outstanding in capital leases compared to \$1,685,079 last year. During the current fiscal year, the District had no new borrowings.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2014 budget, and tax rates. Several of those factors were the economy, the District's population growth, and unemployment. These factors were taken into account when adopting the General Fund budget for 2014. Amounts available for appropriation in the General Fund budget are \$1,658,314. The District has added no major new programs or initiatives to the 2014 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Edgewood Independent School District, 804 East Pine, Edgewood, Texas.

BASIC FINANCIAL STATEMENTS

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 649,975
1120 Current Investments	1,822,139
1220 Property Taxes Receivable (Delinquent)	225,396
1230 Allowance for Uncollectible Taxes	(6,979)
1240 Due from Other Governments	788,967
1300 Inventories	665
Capital Assets:	
1510 Land	271,222
1520 Buildings, Net	6,224,504
1530 Equipment and Vehicles, Net	654,899
1550 Leased Property Under Capital Leases, Net	1,747,353
1000 Total Assets	12,378,141
LIABILITIES	
2110 Accounts Payable	31,635
2160 Accrued Wages Payable	233,931
2200 Accrued Expenses	5,273
2300 Unearned Revenue	39,635
Noncurrent Liabilities	
2501 Due Within One Year	452,742
2502 Due in More Than One Year	6,646,453
2000 Total Liabilities	7,409,669
NET POSITION	
3200 Net Investment in Capital Assets	1,798,783
3820 Restricted for Federal and State Programs	373,170
3850 Restricted for Debt Service	35,164
3870 Restricted for Campus Activities	1,593
3900 Unrestricted	2,759,762
3000 Total Net Position	\$ 4,968,472

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, 2014

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 6,010,268	\$ 376,675	\$ 1,309,715	\$ (4,323,878)
12 Instructional Resources and Media Services	78,760	-	4,374	(74,386)
13 Curriculum and Staff Development	79,356	-	45,467	(33,889)
21 Instructional Leadership	254,205	179,530	52,610	(22,065)
23 School Leadership	462,666	-	23,096	(439,570)
31 Guidance, Counseling and Evaluation Services	624,286	157,088	326,924	(140,274)
33 Health Services	260,875	89,765	125,699	(45,411)
34 Student (Pupil) Transportation	448,468	157,088	68,745	(222,635)
35 Food Services	444,819	156,207	291,826	3,214
36 Extracurricular Activities	396,555	77,458	8,988	(310,109)
41 General Administration	315,903	88,274	22,910	(204,719)
51 Facilities Maintenance and Operations	932,292	62,353	30,345	(839,594)
52 Security and Monitoring Services	67,638	-	-	(67,638)
53 Data Processing Services	289,426	56,103	16,145	(217,178)
72 Debt Service - Interest on Long Term Debt	293,939	-	-	(293,939)
73 Debt Service - Bond Issuance Cost and Fees	1,623	-	-	(1,623)
93 Payments related to Shared Services Arrangements	280,167	-	24,245	(255,922)
99 Other Intergovernmental Charges	60,792	-	-	(60,792)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 11,302,038	\$ 1,400,541	\$ 2,351,089	(7,550,408)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			2,533,911
DT	Property Taxes, Levied for Debt Service			138,709
SF	State Aid - Formula Grants			5,461,116
GC	Grants and Contributions not Restricted			4,326
IE	Investment Earnings			4,518
MI	Miscellaneous Local and Intermediate Revenue			123,548
S2	Special Item - Loss on Disposal of Assets			(283,798)
TR	Total General Revenues & Special Items			7,982,330
CN	Change in Net Position			431,922
NB	Net Position - Beginning			4,536,550
NE	Net Position - Ending			\$ 4,968,472

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

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes	10 General Fund	SSA Special Education	Other Governmental Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 430,105	\$ 163,784	\$ 40,976	\$ 634,865
1120 Investments - Current	1,641,423	180,706	10	1,822,139
1220 Property Taxes - Delinquent	205,547	-	19,849	225,396
1230 Allowance for Uncollectible Taxes (Credit)	(6,364)	-	(615)	(6,979)
1240 Receivables from Other Governments	708,977	38,514	41,476	788,967
1300 Inventories	665	-	-	665
1000 Total Assets	<u>\$ 2,980,353</u>	<u>\$ 383,004</u>	<u>\$ 101,696</u>	<u>\$ 3,465,053</u>
LIABILITIES				
2110 Accounts Payable	\$ 3,325	\$ 78	\$ 67	\$ 3,470
2160 Accrued Wages Payable	189,929	26,205	17,797	233,931
2170 Due to Other Funds	10,981	2,526	-	13,507
2200 Accrued Expenditures	3,531	489	1,253	5,273
2300 Unearned Revenues	30,824	-	8,811	39,635
2000 Total Liabilities	<u>238,590</u>	<u>29,298</u>	<u>27,928</u>	<u>295,816</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	168,359	-	17,547	185,906
2600 Total Deferred Inflows of Resources	<u>168,359</u>	<u>-</u>	<u>17,547</u>	<u>185,906</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	353,706	19,464	373,170
3480 Retirement of Long-Term Debt	-	-	35,164	35,164
Committed Fund Balance:				
3510 Construction	500,000	-	-	500,000
3525 Retirement of Loans or Notes Payable	415,090	-	-	415,090
3545 Other Committed Fund Balance	-	-	1,593	1,593
3600 Unassigned Fund Balance	1,658,314	-	-	1,658,314
3000 Total Fund Balances	<u>2,573,404</u>	<u>353,706</u>	<u>56,221</u>	<u>2,983,331</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,980,353</u>	<u>\$ 383,004</u>	<u>\$ 101,696</u>	<u>\$ 3,465,053</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, 2014

Total Fund Balances - Governmental Funds	\$	2,983,331
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, 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(decrease) net position.		452
2 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 \$18,652,525 and the accumulated depreciation was \$9,295,837. In addition, long-term liabilities, including bonds payable of \$5,404,972, loans payable of \$432,533, and capital leases payable of \$1,685,079, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		1,834,104
3 Current year capital outlays of \$254,568, and long-term debt principal payments of \$428,177 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Accretion on capital appreciation bonds of \$4,788 is recorded in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase (decrease) net position.		677,957
4 The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(429,480)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue of \$185,906 as revenue, eliminating interfund transactions, reclassifying the cost of assets disposed of \$283,798, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(97,892)
19 Net Position of Governmental Activities	\$	4,968,472

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 BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	10 General Fund	SSA Special Education	Other Governmental Funds	Total Governmental Funds	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,821,374	\$ 1,089,255	\$ 344,024	\$ 4,254,653
5800	State Program Revenues	5,733,674	75,614	132,863	5,942,151
5900	Federal Program Revenues	3,297	256,309	1,614,774	1,874,380
5020	Total Revenues	<u>8,558,345</u>	<u>1,421,178</u>	<u>2,091,661</u>	<u>12,071,184</u>
EXPENDITURES:					
Current:					
0011	Instruction	4,432,181	460,957	961,219	5,854,357
0012	Instructional Resources and Media Services	73,627	1,531	-	75,158
0013	Curriculum and Instructional Staff Development	30,608	304	44,897	75,809
0021	Instructional Leadership	-	231,965	15,092	247,057
0023	School Leadership	448,315	-	-	448,315
0031	Guidance, Counseling and Evaluation Services	114,687	202,331	285,769	602,787
0033	Health Services	48,719	114,090	90,863	253,672
0034	Student (Pupil) Transportation	344,717	196,127	22,260	563,104
0035	Food Services	-	-	430,633	430,633
0036	Extracurricular Activities	379,965	-	2,349	382,314
0041	General Administration	234,420	70,788	-	305,208
0051	Facilities Maintenance and Operations	835,668	64,595	-	900,263
0052	Security and Monitoring Services	67,638	-	-	67,638
0053	Data Processing Services	211,167	67,619	-	278,786
Debt Service:					
0071	Principal on Long Term Debt	93,177	-	335,000	428,177
0072	Interest on Long Term Debt	103,763	-	185,388	289,151
0073	Bond Issuance Cost and Fees	-	-	1,623	1,623
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	255,922	-	24,245	280,167
0099	Other Intergovernmental Charges	60,792	-	-	60,792
6030	Total Expenditures	<u>7,735,366</u>	<u>1,410,307</u>	<u>2,399,338</u>	<u>11,545,011</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>822,979</u>	<u>10,871</u>	<u>(307,677)</u>	<u>526,173</u>
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	357,875	357,875
8911	Transfers Out (Use)	(357,875)	-	-	(357,875)
7080	Total Other Financing Sources (Uses)	<u>(357,875)</u>	<u>-</u>	<u>357,875</u>	<u>-</u>
1200	Net Change in Fund Balances	465,104	10,871	50,198	526,173
0100	Fund Balance - September 1 (Beginning)	<u>2,108,300</u>	<u>342,835</u>	<u>6,023</u>	<u>2,457,158</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 2,573,404</u>	<u>\$ 353,706</u>	<u>\$ 56,221</u>	<u>\$ 2,983,331</u>

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

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	526,173
 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.		(5,504)
 Current year capital outlays of \$254,568 and long-term debt principal payments of \$428,177 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Accretion on capital appreciation bonds of \$4,788 is recorded in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase (decrease) net position.		677,957
 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.		(429,480)
 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue as revenue, adjusting current year revenue by \$53,426 to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the cost of assets disposed of \$283,798, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(337,224)
 Change in Net Position of Governmental Activities	<u>\$</u>	<u>431,922</u>

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

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2014

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 15,110
Due from Other Funds	13,507
Total Assets	28,617
LIABILITIES	
Current Liabilities:	
Accounts Payable	28,165
Total Liabilities	28,165
NET POSITION	
Unrestricted Net Position	452
Total Net Position	\$ 452

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, 2014

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 23,474
Total Operating Revenues	23,474
OPERATING EXPENSES:	
Other Operating Costs	28,978
Total Operating Expenses	28,978
Operating Income (Loss)	(5,504)
Total Net Position - September 1 (Beginning)	5,956
Total Net Position - August 31 (Ending)	\$ 452

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, 2014

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 16,103
Cash Payments for Insurance Claims	(19,035)
Net Cash Used for Operating Activities	<u>(2,932)</u>
Net Decrease in Cash and Cash Equivalents	(2,932)
Cash and Cash Equivalents at Beginning of Year	<u>18,042</u>
Cash and Cash Equivalents at End of Year	<u>\$ 15,110</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (5,504)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(7,371)
Increase (decrease) in Accounts Payable	9,943
Net Cash Used for Operating Activities	<u>\$ (2,932)</u>

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

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2014

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 53,657
Total Assets	<u>\$ 53,657</u>
LIABILITIES	
Due to Student Groups	\$ 53,657
Total Liabilities	<u>\$ 53,657</u>

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

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

Note A. Summary of Significant Accounting Policies

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 seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it 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.

1. Reporting Entity

The Board of Trustees has governance responsibilities over all activities related to public elementary and secondary public education within the jurisdiction of Edgewood Independent School District. The members of the Board of Trustees are elected by the public, have the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. The District is not included in any other "governmental entity" as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, *The Financial Reporting Entity*. There is a Public Facility Corporation that is a blended component unit included within the reporting entity. The Public Facility Corporation was created to obtain financing to fund a major construction project. The District receives funding from local, state, and federal governmental sources and must comply with the requirements of these funding source entities.

2. 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 all of the Edgewood Independent School District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act Title I. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Property taxes are always general revenues.

Interfund activities between governmental funds, and between governmental funds and proprietary funds, appear as "due to & due from" on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position, and as "other resources & other uses" on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as "due to & due from" on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three 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 District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements use 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. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Revenues are considered to be available when they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. The District considers them available if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds 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 deferred revenues until related and authorized expenditures have been made. 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.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. Agency Funds apply the accrual basis of accounting, but do not have a measurement focus. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position

4. 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, liabilities, equity, revenues and expenditures.

The District reports the following **major** governmental funds:

General Fund – This governmental fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities

SSA-Special Education – This Shared Service Arrangement is a part of the Special Revenue Funds. The District is the fiscal agent of this state program, which also benefits other school districts. It is considered major because its resources exceed 10% of the District’s total resources.

Additionally, the District reports the following **nonmajor** fund types:

Governmental Fund Types:

Special Revenue Funds – These governmental funds are established to account for resources restricted to, or designated for, specific purposes by the District or a grantor in a Special Revenue Fund. Most federal and some state financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods. Project accounting is employed to maintain integrity of the various sources of funds.

The District’s Food Service Fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program, (2) The General Fund subsidizes the Food Service Program for all expenditures in excess of the National School Lunch Program, and (3) The District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes.

Debt Service Fund – This governmental fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.

Proprietary Funds:

Internal Service Fund – This fund is established to account for revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis. The District's Internal Service Fund is for Workers Compensation Self-Insurance.

Fiduciary Funds:

Agency Funds – These funds are established to account for resources held for others in a custodial capacity. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. The District's Agency Funds are for Student Activity Funds.

5. Cash and Cash Equivalents

For purposes of the statement of cash flows for proprietary funds, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. Cash and cash equivalents in the Internal Service fund was \$15,110 as of August 31, 2014.

6. Investments

Investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

7. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. The District purchases of supplies as expenditures. If any supplies are on hand at the end of the year, their cost is recorded as inventory and fund balance is reserved for the same amount.

8. Asset Capitalization and Useful Lives

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual unit cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 constructed.

Buildings, furniture, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	39-50
Building Improvements	15-40
Vehicles & Buses	5-10
Equipment	5-7

9. Compensated Absences

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

10. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expenses when incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of bonded debt issued plus the premiums/discounts received on the issuance of bonds are reported as other financing sources. The amounts of issuance costs are reported as expenditures.

11. Fund Balance

In accordance with GASB 54 and school board policy, the District is reporting its fund balances in the governmental fund financial statements in each of the following categories:

Non-spendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District’s highest level of decision-making authority, the School Board. Committed resources cannot be used for any other purposes unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated with the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

As of August 31, 2014, the District’s fund balances are classified as follows:

	<u>General Fund</u>	<u>SSA Special Education</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Restricted for:				
State & Federal Grants		\$353,706	\$19,464	\$373,170
Debt Service			35,164	35,164
Committed to:				
Construction	500,000			500,000
Retirement of Loans Payable	415,090			415,090
Campus Activity			1,593	1,593
Unassigned	<u>1,658,314</u>			<u>1,658,314</u>
Total Fund Balances	<u>\$2,573,404</u>	<u>\$353,706</u>	<u>\$56,221</u>	<u>\$2,983,331</u>

12. Functions

School Districts are required to report all expenses by function, except certain indirect expenses. General administration, data processing services, and other intergovernmental charges functions (data control codes 41, 53, and 99 respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

13. Restricted Assets

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

14. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide data base for policy development and funding plans.

15. Risk Management – Claims and Judgments

In the normal course of operations, the District is exposed to risks of loss from a number of sources including fire and casualty losses, errors or omissions by board members and employees, and injuries to employees during the course of performing their duties. The District attempts to cover these losses by the purchase of insurance. Significant losses are covered by commercial insurance for property and liability programs. For insured programs, there have been no significant reductions in coverage. Settlement amounts have not exceeded insurance coverage for the current year or the past three years.

Health Care Coverage

During the year ended August 31, 2014, employees of the District were covered by a uniform statewide health care program for public education employees. The District contributed \$225 per month, which includes \$75 per month which is reimbursed by the State of Texas, per employee to the Plan. Employees, at their option, may authorize payroll withholdings to pay the remaining balance of the premium for employee coverage and/or dependents. All contributions/premiums were paid to the statewide health care program. The Plan was authorized by House Bill 3343 and is administered by the Teacher Retirement System of Texas (TRS).

Workers Compensation Coverage

The District has entered into an agreement with the Texas Educational Insurance Association to self-fund their workers compensation plan. The agreement is administered by Claims Administrative Services, Inc. Transactions related to the plan are accounted for in the Workers Compensation Insurance Fund (the "Fund"), an internal service fund of the District. The District makes all contributions to the fund. Claims Administrative Services, Inc. obtained excess loss insurance, which limited annual claims paid from the entire fund for the year ended August 31, 2014, to \$225,000 for any individual participant.

Estimates of claims payable and of claims incurred, but not reported at August 31, 2014, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

Changes in the balances of claims liabilities during the past two years are as follows:

	<u>Year Ended August 31, 2014</u>	<u>Year Ended August 31, 2013</u>
Unpaid claims, beginning of fiscal year	\$18,222	\$17,446
Incurred claims (including IBNR's)	28,978	9,159
Claim payments	(19,035)	(8,383)
Unpaid claims, end of fiscal year	<u>\$28,165</u>	<u>\$18,222</u>

16. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note B. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net position.

One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	\$271,222		\$271,222	
Buildings	13,219,761	(6,740,936)	6,478,825	
Equipment & Vehicles	2,224,200	(1,416,358)	807,842	
Capital Lease Propety	2,937,342	(1,138,543)	1,798,799	
Change in Net Position				\$9,356,688

<u>Long-term Liabilities at the Beginning of the year</u>	<u>Payable at the Beginning of the year</u>	
Bonds Payable	\$5,404,972	
Loans Payable	432,533	
Capital Leases Payable	1,685,079	
Change in Net Assets		(\$7,522,584)
Net Adjustment to Net Position		<u>\$1,834,104</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities.

One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current Year Capital Outlay</u>			
Buildings & Improvements	\$0		
Equipment & Vehicles	254,568		
Total Capital Outlay	<u>254,568</u>	\$254,568	\$254,568
<u>Debt Service Payments</u>			
Bond Principal	\$335,000		
Accretion on Capital Appreciation Bonds	(4,788)		
Loan Principal	17,443		
Capital Lease Principal	75,734		
Total Principal Payments	<u>423,389</u>	423,389	423,389
Total Adjustment to Net Position		<u><u>\$677,957</u></u>	<u><u>\$677,957</u></u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Unavailable Revenue</u>			
Net Property Tax Revenue Adjustment	(\$47,804)	(\$53,426)	\$185,906
<u>Reclassify Net Cost of Assets Sold</u>			
Reclassify Net Cost of Assets Sold	(\$283,798)	(\$283,798)	(\$283,798)
Totals		<u><u>(\$337,224)</u></u>	<u><u>(\$97,892)</u></u>

Note C. Stewardship, Compliance, and Accountability

Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-2 and J-3.

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

1. Prior to August 20, 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.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, 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 at its regular meetings. 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. Because the District has a policy of careful budgetary

control, several amendments were necessary during the year. However, none of these were significant. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

<u>August 31, 2014 Fund Balance</u>	
Appropriated Budget Funds - Food Service	\$18,802
Nonappropriated Budget Funds-Special Eduation SSA	353,706
Nonappropriated Budget Funds-New Special Eduation SSA	662
Nonappropriated Budget Funds-Campus Activity	1,593
All Special Revenue Funds	<u>\$374,763</u>

Note D. Deposits and Investments

District Policies and Legal and Contractual Provisions Governing Deposits and Investments:

The **Public Funds Investment Act** (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. That 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 for 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 Public Funds Investment Act (PFIA) governs the District’s investment policies and types of investments. The District’s management believes that it complied with the requirements of the PFIA and the District’s investment policies. These policies address the following risks:

Foreign Currency Risk – The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in foreign currency.

Custodial Credit Risk for Deposits – State law requires the District to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the District and held by the entity or its agent. Since the District complies with this law, it has no custodial risk for deposits.

Custodial Credit Risk for Investments – To limit the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities lending transactions. All of the securities are in the District’s name and held by the District or its agent.

Interest Rate Risk – To limit the risk of changes in interest rates will adversely affect the fair value of investments, the District requires invested instruments maturities do not exceed one year from the time of purchase except when a longer maturity may be specifically authorized by the Board for a given investment provided legal limits are not exceeded.

Credit Risk – To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; certificates of deposits; fully collateralized repurchase

agreements that have a defined termination date and secured by obligations of the United States or its agencies and instrumentalities; securities lending program; bankers acceptances; commercial paper; no-load money market mutual funds and no-load mutual funds; guaranteed investment contracts as an investment vehicle for bond proceeds and public investment pools. As of August 31, 2014, the District's investments in public funds investment pools were rated AAM by Standard & Poor's.

Concentration of Credit Risk – To limit the risk of loss attributed to the magnitude of the District's investment in a single issuer, the District diversifies in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer.

At August 31, 2014, the carrying amount of the District's deposits (cash, certificates of deposit, and interest bearing savings accounts) was \$649,975. The District's cash deposits at August 31, 2014 and during the year ended August 31, 2014 were entirely covered by FDIC insurance or by pledged deposit collateral held by the District's agent bank in the District's name, or by letters of credit.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: The 1st National Bank of Edgewood, Edgewood, Texas
- b. The highest combined balance of cash, savings, and time deposits accounts amounted to \$1,217,346 and occurred during the month of January 2014.
- c. The market value of securities pledged as of the date of the highest combined balance on deposit was \$2,681,726.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$462,177.

The District's investments at August 31, 2014, were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Certificates of Deposit @ Other Banks	\$300,000	90 days
Texpool Investment Accounts	447,710	48 days
Texstar Investment Accounts	1,074,429	48 days
Total Fair Value	<u>\$1,822,139</u>	
Portfolio Weighted Average Maturity		55 days

Note E. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when collected.

The assessed value of the tax roll on January 1, 2013, upon which the tax levy for the 2014 fiscal year was based, was \$216,581,877. The tax rates assessed for the year ended August 31, 2014 to finance general fund operations and the payment of principal & interest on general obligation bonds were \$ 1.170 and \$ 0.064 per \$ 100 valuation, respectively, for a total of \$ 1.234 per \$ 100 valuation. Current year (including prior year delinquent) tax collections for the year ended August 31, 2014 were 101.15% of the tax levy.

Note F. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Note G. Disaggregation of Receivables and Payables

Receivables at August 31, 2014, were as follows:

	<u>Property Taxes</u>	<u>Due from Other Governments</u>	<u>Due from Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$205,547	\$708,977	\$0	\$665	\$915,189
SSA-Special Education	0	38,514	0	0	38,514
Nonmajor Governmental Funds	19,849	41,476	0	0	61,325
Total Governmental Activities	<u>\$225,396</u>	<u>\$788,967</u>	<u>\$0</u>	<u>\$665</u>	<u>\$1,015,028</u>
Amounts not scheduled for collection during the subsequent year	<u>\$6,979</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,979</u>

Payables at August 31, 2014, were as follows:

	<u>Accounts</u>	<u>Salaries & Benefits</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:						
General Fund	\$3,325	\$189,929	\$10,981	\$0	\$3,531	\$207,766
SSA-Special Education	78	26,205	2,526	0	489	29,298
Nonmajor Governmental Funds	67	17,797	0	0	1,253	19,117
Total Governmental Activities	<u>\$3,470</u>	<u>\$233,931</u>	<u>\$13,507</u>	<u>\$0</u>	<u>\$5,273</u>	<u>\$256,181</u>
Amounts not scheduled for collection during the subsequent year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Note H. Capital Asset Activity

Capital asset activity for the year ended August 31, 2014 was as follows:

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Land	\$271,222	\$0	\$0	\$271,222
Buildings & Improvements	13,219,761	0	0	13,219,761
Equipment & Vehicles	2,224,200	254,568	(800,825)	1,677,943
Capital Lease Property	2,937,342	0	0	2,937,342
Totals at Historical Cost	<u>18,652,525</u>	<u>254,568</u>	<u>(800,825)</u>	<u>18,106,268</u>
Less accumulated depreciation for:				
Buildings & Improvements	(6,740,936)	(254,321)	0	(6,995,257)
Equipment	(1,416,358)	(123,713)	517,027	(1,023,044)
Capital Lease Property	(1,138,543)	(51,446)	0	(1,189,989)
Total accumulated depreciation	<u>(9,295,837)</u>	<u>(429,480)</u>	<u>517,027</u>	<u>(9,208,290)</u>
Capital Assets, Net	<u>\$9,356,688</u>	<u>(\$174,912)</u>	<u>(\$283,798)</u>	<u>\$8,897,978</u>

Depreciation expense for the current year was charged to governmental functions as follows:

11 Instruction	\$202,155
12 Instructional Resources & Media Services	3,547
13 Curriculum & Instructional Staff Development	3,547
21 Instructional Leadership	7,093
23 School Leadership	14,186
31 Guidance, Counseling, & Evaluation Services	21,279
33 Health Services	7,093
34 Student (Pupil) Transportation	89,009
35 Food Services	14,186
36 Cocurricular/Extracurricular Activities	14,186
41 General Administration	10,640
51 Plant Maintenance & Operations	31,919
53 Data Processing Services	10,640
Total Depreciation Expense	<u>\$429,480</u>

Note I. Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2014, was as follows:

	<u>Beginning</u>			<u>Ending</u>	<u>Amounts Due</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>within One</u>
					<u>Year</u>
Governmental Activities:					
General Obligation Bonds	\$5,240,000	\$0	(\$335,000)	\$4,905,000	\$355,000
Accumulated Accretion on CABs	6,188	4,788	0	10,976	
Unamortized Bond Premiums on CABs	158,784	0	0	158,784	
Total Bonds Payable, Government-Wide	<u>\$5,404,972</u>	<u>\$4,788</u>	<u>(\$335,000)</u>	<u>\$5,074,760</u>	
Loans	432,533	0	(17,443)	415,090	18,297
Capital Leases	1,685,079	0	(75,734)	1,609,345	79,445
Total Governmental Activities	<u>\$7,522,584</u>	<u>\$4,788</u>	<u>(\$428,177)</u>	<u>\$7,099,195</u>	<u>\$452,742</u>

Note J. Bonds Payable & Debt Service Requirements

The District has entered into a continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2014.

In the governmental fund financial statements, current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. The proceeds from the sale of bonds are shown in the governmental fund financial statements as Other Resources and principal payments are shown as expenditures.

A summary of changes in bonds for the year ended August 31, 2014 is as follows:

<u>Description</u>	<u>Interest Rates Payable</u>	<u>Amounts of Original Issue</u>	<u>Interest Current Year</u>	<u>Beginning Amounts Outstanding 9/01/13</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Amounts Outstanding 8/31/14</u>
Unlimited Tax Bldg Bonds-Series 2004	4.000-5.500%	\$3,150,000	\$16,013	\$405,000	\$0	(\$95,000)	\$310,000
Unltd Tax Refunding Bonds-Series 2008	4.00%	\$3,725,000	105,400	2,745,000	0	(220,000)	2,525,000
Unltd Tax Refunding Bonds-Series 2012	2.00-3.50%	\$2,035,000	63,975	2,015,000	0	(20,000)	1,995,000
Capital Appreciation Bonds-Series 2012	1.86-2.12%	\$75,000	0	75,000	0	0	75,000
Total General Obligation Bonds			\$185,388	\$5,240,000	\$0	(\$335,000)	\$4,905,000
Accumulated Accretion on CABs				6,188	4,788	0	10,976
Unamortized Bond Premiums on CABs				158,784	0	0	158,784
Total Bonds Payable, Government-Wide Financials				\$5,404,972	\$4,788	(\$335,000)	\$5,074,760

A portion of the above bonds were capital appreciation bonds, commonly referred to as “premium compound interest bonds”. These bonds were issued at a discount to their par or maturity value and will accrete interest until maturity.

Summary information for the capital appreciation bonds is as follows:

<u>Series</u>	<u>Capital Appreciation Bonds</u>	
	<u>Stated Value</u>	<u>Accreted Value, 8/31/14</u>
2012	\$75,000	\$244,760

Debt service requirements for general obligation bonds are as follows:

<u>Year Ending August 31,</u>	<u>General Obligation Bonds</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$355,000	\$170,775	\$525,775
2016	375,000	156,125	531,125
2017	385,000	141,425	526,425
2018	305,000	223,675	528,675
2019	310,000	212,875	522,875
2020-2024	2,250,000	359,825	2,609,825
2025-Maturity	925,000	32,288	957,288
Totals	<u>\$4,905,000</u>	<u>\$1,296,988</u>	<u>\$6,201,988</u>

Note K. Long Term Notes and Capital Leases Payable

Long-Term Notes

A summary of changes in long-term notes for the year ended August 31, 2014 is as follows:

<u>Date of Issue/Maturity</u>	<u>Purpose/Lawful Authority</u>	<u>Fund Payable From/Interest Rate</u>	<u>Current</u>	<u>Beginning Balance</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Ending Balance</u>
			<u>Year Interest</u>				
10/08-10/28	Maint. Tax/TEC 45.108	General/4.90%	\$21,194	\$432,533	\$0	(\$17,443)	\$415,090
Totals			<u>\$21,194</u>	<u>\$432,533</u>	<u>\$0</u>	<u>(\$17,443)</u>	<u>\$415,090</u>

Debt service requirements for long-term notes are as follows:

<u>Year Ending August 31,</u>	<u>Loans</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$18,297	\$20,340	\$38,637
2016	19,194	19,443	38,637
2017	20,135	18,502	38,637
2018	21,121	17,516	38,637
2019	22,156	16,481	38,637
2020-2024	128,169	65,015	193,184
2025-Maturity	186,018	30,382	216,400
Totals	<u>\$415,090</u>	<u>\$187,679</u>	<u>\$602,769</u>

Capital Leases:

On June 1, 2008, in accordance with the Public Property Finance Act, as amended Section 271.001, the District entered into a capital lease contract with a nonprofit corporation, the Edgewood ISD Public Facility Corporation, created pursuant to the provisions of Chapter 303, as amended, Texas Local Government Code, as amended, for the use, purchase or other acquisition and improvement of school facilities and the acquisition of furniture, and equipment related hereto. The facility will be capitalized when complete for approximately \$ 2,080,000. The effective rate of interest was 4.90%. This capital lease will be paid off during the year ending August 31, 2029. The Edgewood ISD Public Facility Corporation is treated as a blended component unit for the District's report.

Debt service requirements for capital leases are as follows:

<u>Year Ending August 31,</u>	<u>Capital Leases</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$79,445	\$78,858	\$158,303
2016	83,338	74,965	158,303
2017	87,422	70,881	158,303
2018	91,705	66,598	158,303
2019	96,199	62,104	158,303
2020-2024	556,494	235,023	791,517
2025-Maturity	614,742	83,619	698,361
Totals	<u>\$1,609,345</u>	<u>\$672,048</u>	<u>\$2,281,393</u>

Note L. Accumulated Unpaid Vacation and Sick Leave Benefits

District employees are entitled to certain compensated absences based upon their length of employment. Sick leave accrues at various rates established by the State of Texas and adopted by the Board of Trustees. Sick leave does not vest, but accumulates and is recorded as an expenditure as it is used and paid.

A summary of changes in the accumulated sick leave and vacation leave liability follows:

	<u>Sick Leave</u>	<u>Vacation Leave</u>
Balance, September 1, 2013	\$0	\$0
Additions - New Entrants and Salary Increments	0	0
Deductions - Payments to Participants	0	0
Balance, August 31, 2014	<u>\$0</u>	<u>\$0</u>

Note M. Defined Benefit Pension Plan (TRS)

Plan Description – Edgewood Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

Funding Policy – Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.00% of the member's annual compensation and a state contribution rate of not less than 6.00% and not more than 10.00% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements, if as a result of a the particular action, the time required to amortize TRS's 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.

Contribution rates and contributions for fiscal years 2014-2012 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and /or member's contribution on salaries paid from federal and private grants and on the portion of the employee's salaries that exceeded the statutory minimum.

Contribution Rates and Contribution Amounts

Year	Member Contributions		State On-Behalf Contributions		District Contributions
	Rate	Amount	Rate	Amount	Amount
2014	6.40%	\$405,149	6.800%	\$430,471	\$102,297
2013	6.40%	\$386,052	6.400%	\$386,052	\$101,656
2012	6.40%	\$398,346	6.000%	\$373,449	\$113,178

Note N. School District Retiree Health Plan (TRS-Care)

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

Funding Policy – Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectfully. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater that 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2014-2012.

Contribution Rates and Contribution Amounts

Year	Member Contributions		State Contributions		District Contributions	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	0.65%	\$43,638	1.000%	\$67,135	0.55%	\$36,924
2013	0.65%	\$39,208	0.500%	\$30,160	0.55%	\$33,176
2012	0.65%	\$40,457	1.000%	\$62,241	0.55%	\$34,232

Note O. Medicare Part D (TRS-Care) & Early Retiree Reinsurance Program (ERRP)

Federal Government Retiree Drug Subsidy – The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. The allocation of these on-behalf payments is based on the ratio of a reporting entity’s covered payroll to the entire payroll reported by all reporting entities. TRS based this allocation percentage on the completed report submissions by reporting entities for the month of May. State Contributions for Medicare Part D made on behalf of Edgewood Independent School District’s employees were \$16,228, \$16,010, and \$17,812, respectively for fiscal years ended August 31, 2014, 2013, and 2012.

Early Retiree Reinsurance Program – The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependents regardless of age. An “early retiree” is defined as a plan participant aged 55-64 which is not eligible for Medicare and is not covered by an active employee of the plan sponsor. This temporary program was not available to TRS for the fiscal years ended August 31, 2013 and 2014; therefore, there was no allocation required nor is one shown for those years. ERRP reimbursement was available on a first come, first served basis for qualified employers. TRS was certified for this program and received funds from the ERRP program in fiscal year 2012. These funds were allocated to reporting agencies using the same basis as the Medicare Part D: On-Behalf Payments (GASB 24) reporting that is done each year. For the year ended August 31, 2012 the ERRP contribution made on behalf of Edgewood Independent School District’s employees was \$16,844.

Note P. Due from Other Governments

The District participates in a variety of federal and state 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 and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2014, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other Governments</u>	<u>Totals</u>
General Fund	\$686,209	\$0	\$22,768	\$708,977
Debt Service Funds	219	0	1,434	1,653
Special Revenue Funds	0	78,337	0	78,337
Totals	\$686,428	\$78,337	\$24,202	\$788,967

Note Q. Due to Other Governments

As of August 31, 2014, the District had no settle-up amounts due to Texas Education Agency for 2013-2014 state foundation aid.

Note R. Unearned Revenue & Unavailable Revenue

Unearned revenue is that portion of the net revenue receivable which is expected to be collected within the first 60 days following the fiscal year end. Unavailable revenue is that portion of the net revenue receivable which is not expected to be collected within the first 60 days following the fiscal year end.

Unearned revenue and Unavailable revenue at August 31, 2014 consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
Unearned Revenue:				
Property Tax Revenue	\$30,824	\$0	\$8,811	\$39,635
Total Unearned Revenue	\$30,824	\$0	\$8,811	\$39,635
Unavailable Revenue:				
Property Tax Revenue	\$168,359	\$0	\$17,547	\$185,906
Total Unavailable Revenue	\$168,359	\$0	\$17,547	\$185,906

Note S. Commitments and Contingencies

Litigation – The District may be subjected to loss contingencies arising principally in the normal course of operations. In the opinion of the administration, the outcome of any lawsuits will not have a material adverse effect on the accompanying 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; 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 the collectability of any related receivable at August 31, 2014 may be impaired. In the opinion of the District, there are no significant contingent liabilities related to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note T. Revenue from Local and Intermediate Sources

During the current year, revenues from local and intermediate sources consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Totals</u>
Property Taxes	\$2,558,210		\$0	\$145,150
Penalties, Interest, & Other Tax				\$2,703,360
Related Income	60,139	0	5,466	65,605
Investment Income	4,052	327	139	4,518
Services to Other LEAs	9,750	1,122,060	0	1,131,810
Tuition	6,395	0	0	6,395
Rent	6,000	250	0	6,250
Gifts & Bequests	5,827	0	0	5,827
Net Insurance Recovery	74,803	0	0	74,803
Food Service Sales	0	156,435	0	156,435
Athletics	59,037	0	0	59,037
Co-curricular	15,250	0	0	15,250
Other	21,911	3,452	0	25,363
Totals	<u>\$2,821,374</u>	<u>\$1,282,524</u>	<u>\$150,755</u>	<u>\$4,254,653</u>

Note U. Interfund Balances and Transfers In & Out

Interfund balances at August 31, 2014, consisted of the following amounts:

Due to Internal Service Fund from:

General Fund	\$10,981
SSA Special Education	2,526
Total to Internal Service Fund from Other Funds	<u>\$13,507</u>

Interfund transfers for the year ended August 31, 2014, consisted of the following individual amounts:

Transfers to Nonmajor Governmental Funds from:

General Fund	\$357,875
Total Transferred to Nonmajor Governmental Funds from Other Funds	<u>\$357,875</u>

Note V. Joint Ventures – Shared Service Arrangements

The District participates in shared services arrangements for Gifted & Talented, Special Education, and Alternate Education Services, with other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Edgewood Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

The District is the fiscal agent for various Shared Services Arrangements ("SSA") that provide various services to member districts. In addition to the District, other member districts include Canton ISD, Fruitvale ISD, Grand Saline ISD, and Martins Mill ISD. The fiscal agent provides all services. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA's in Special Revenue Funds as listed below and will be accounted for using Model 3 in the SSA section of the Resource Guide.

- Fund 313 – IDEA, Part B, Formula
- Fund 314 – IDEA, Part B, Pre-School
- Fund 315 – IDEA, Part B, Discretionary
- Fund 437 – Special Education
- Fund 459 – Special Education (New)

The amounts allocated to each member district are as follows:

<u>Member District</u>	<u>Fund 313-4</u>	<u>Fund 314-4</u>	<u>Fund 315-4</u>	<u>Fund 437-4</u>	<u>Fund 313-5</u>	<u>Fund 437-5</u>	<u>Fund 459-4</u>
Canton ISD	\$221,590	\$1,868	\$121,043	\$405,277			
Edgewood ISD	159,730	1,346	87,252	292,138	3,800	12,936	17,886
Fruitvale ISD	68,679	579	37,516	125,610			
Grand Saline ISD	159,730	1,346	87,252	292,138	3,651	12,429	17,185
Martins Mill ISD	100,497	847	54,896	183,804			
Totals	<u>\$710,226</u>	<u>\$5,986</u>	<u>\$387,959</u>	<u>\$1,298,967</u>	<u>\$7,451</u>	<u>\$25,365</u>	<u>\$35,071</u>

Note W. Subsequent Events

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through November 20, 2014, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,695,142	\$ 2,766,952	\$ 2,821,374	\$ 54,422
5800 State Program Revenues	5,298,370	5,298,370	5,733,674	435,304
5900 Federal Program Revenues	300	300	3,297	2,997
5020 Total Revenues	7,993,812	8,065,622	8,558,345	492,723
EXPENDITURES:				
Current:				
0011 Instruction	4,279,820	4,442,220	4,432,181	10,039
0012 Instructional Resources and Media Services	90,750	75,150	73,627	1,523
0013 Curriculum and Instructional Staff Development	29,432	31,732	30,608	1,124
0023 School Leadership	436,126	448,626	448,315	311
0031 Guidance, Counseling and Evaluation Services	116,252	116,252	114,687	1,565
0033 Health Services	49,074	49,074	48,719	355
0034 Student (Pupil) Transportation	14,284	356,877	344,717	12,160
0036 Extracurricular Activities	416,333	383,833	379,965	3,868
0041 General Administration	221,058	237,558	234,420	3,138
0051 Facilities Maintenance and Operations	747,045	896,525	835,668	60,857
0052 Security and Monitoring Services	71,661	69,491	67,638	1,853
0053 Data Processing Services	296,904	217,504	211,167	6,337
Debt Service:				
0071 Principal on Long Term Debt	-	93,179	93,177	2
0072 Interest on Long Term Debt	-	103,766	103,763	3
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	275,000	275,000	255,922	19,078
0099 Other Intergovernmental Charges	61,000	61,000	60,792	208
6030 Total Expenditures	7,104,739	7,857,787	7,735,366	122,421
1100 Excess of Revenues Over Expenditures	889,073	207,835	822,979	615,144
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	(346,736)	(378,736)	(357,875)	20,861
1200 Net Change in Fund Balances	542,337	(170,901)	465,104	636,005
0100 Fund Balance - September 1 (Beginning)	2,108,300	2,108,300	2,108,300	-
3000 Fund Balance - August 31 (Ending)	\$ 2,650,637	\$ 1,937,399	\$ 2,573,404	\$ 636,005

COMBINING STATEMENTS

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	242 Summer Feeding Program	255 ESEA II, A Training and Recruiting	
ASSETS					
1110	Cash and Cash Equivalents	\$ (15,303)	\$ 26,358	\$ -	\$ (5,902)
1120	Investments - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	20,830	5,639	-	5,902
1000	Total Assets	<u>\$ 5,527</u>	<u>\$ 31,997</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	5,039	5,965	-	-
2200	Accrued Expenditures	488	106	-	-
2300	Unearned Revenues	-	7,124	-	-
2000	Total Liabilities	<u>5,527</u>	<u>13,195</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	18,802	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>18,802</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 5,527</u>	<u>\$ 31,997</u>	<u>\$ -</u>	<u>\$ -</u>

270 ESEA VI, Pt B Rural & Low Income	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA IDEA, Part B Discretionary	410 Instructional Materials Allotment	459 SSA - New Special Education	461 Campus Activity Funds	498 Local Scholarship Funds
\$ -	\$ -	\$ -	\$ -	\$ 67	\$ 662	\$ 1,593	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	7,452	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 7,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67</u>	<u>\$ 662</u>	<u>\$ 1,593</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 67	\$ -	\$ -	\$ -
-	6,793	-	-	-	-	-	-
-	659	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	7,452	-	-	67	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	662	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,593	-
-	-	-	-	-	662	1,593	-
<u>\$ -</u>	<u>\$ 7,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67</u>	<u>\$ 662</u>	<u>\$ 1,593</u>	<u>\$ -</u>

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

Data Control Codes	Total Nonmajor Special Revenue Funds	511 Debt Service Fund	Total Nonmajor Governmental Funds	
ASSETS				
1110	Cash and Cash Equivalents	\$ 7,475	\$ 33,501	\$ 40,976
1120	Investments - Current	-	10	10
1220	Property Taxes - Delinquent	-	19,849	19,849
1230	Allowance for Uncollectible Taxes (Credit)	-	(615)	(615)
1240	Receivables from Other Governments	39,823	1,653	41,476
1000	Total Assets	<u>\$ 47,298</u>	<u>\$ 54,398</u>	<u>\$ 101,696</u>
LIABILITIES				
2110	Accounts Payable	\$ 67	\$ -	\$ 67
2160	Accrued Wages Payable	17,797	-	17,797
2200	Accrued Expenditures	1,253	-	1,253
2300	Unearned Revenues	7,124	1,687	8,811
2000	Total Liabilities	<u>26,241</u>	<u>1,687</u>	<u>27,928</u>
DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	-	17,547	17,547
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>17,547</u>	<u>17,547</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	19,464	-	19,464
3480	Retirement of Long-Term Debt	-	35,164	35,164
Committed Fund Balance:				
3545	Other Committed Fund Balance	1,593	-	1,593
3000	Total Fund Balances	<u>21,057</u>	<u>35,164</u>	<u>56,221</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 47,298</u>	<u>\$ 54,398</u>	<u>\$ 101,696</u>

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EDGEWOOD INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	242 Summer Feeding Program	255 ESEA II, A Training and Recruiting
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 156,491	\$ -	\$ -
5800 State Program Revenues	-	17,033	-	-
5900 Federal Program Revenues	173,427	274,494	298	37,996
5020 Total Revenues	<u>173,427</u>	<u>448,018</u>	<u>298</u>	<u>37,996</u>
EXPENDITURES:				
Current:				
0011 Instruction	160,135	-	-	6,660
0013 Curriculum and Instructional Staff Development	13,292	-	-	31,336
0021 Instructional Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	430,335	298	-
0036 Extracurricular Activities	-	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>173,427</u>	<u>430,335</u>	<u>298</u>	<u>37,996</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	17,683	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	17,683	-	-
0100 Fund Balance - September 1 (Beginning)	-	1,119	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 18,802</u>	<u>\$ -</u>	<u>\$ -</u>

270 ESEA VI, Pt B Rural & Low Income	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA IDEA, Part B Discretionary	410 Instructional Materials Allotment	459 SSA - New Special Education	461 Campus Activity Funds	498 Local Scholarship Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,836	\$ 2,942	\$ -
-	-	-	-	69,291	1,898	-	-
16,937	717,677	5,986	387,959	-	-	-	-
16,937	717,677	5,986	387,959	69,291	35,734	2,942	-
16,937	420,383	5,986	276,118	69,291	5,709	-	-
-	269	-	-	-	-	-	-
-	-	-	-	-	15,092	-	-
-	271,498	-	-	-	14,271	-	-
-	1,282	-	89,581	-	-	-	-
-	-	-	22,260	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,349	1,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	24,245	-	-	-	-	-	-
16,937	717,677	5,986	387,959	69,291	35,072	1,349	1,000
-	-	-	-	-	662	1,593	(1,000)
-	-	-	-	-	-	-	-
-	-	-	-	-	662	1,593	(1,000)
-	-	-	-	-	-	-	1,000
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 662	\$ 1,593	\$ -

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Total Nonmajor Special Revenue Funds	511 Debt Service Fund	Total Nonmajor Governmental Funds	
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 193,269	\$ 150,755	\$ 344,024
5800	State Program Revenues	88,222	44,641	132,863
5900	Federal Program Revenues	1,614,774	-	1,614,774
5020	Total Revenues	<u>1,896,265</u>	<u>195,396</u>	<u>2,091,661</u>
EXPENDITURES:				
Current:				
0011	Instruction	961,219	-	961,219
0013	Curriculum and Instructional Staff Development	44,897	-	44,897
0021	Instructional Leadership	15,092	-	15,092
0031	Guidance, Counseling and Evaluation Services	285,769	-	285,769
0033	Health Services	90,863	-	90,863
0034	Student (Pupil) Transportation	22,260	-	22,260
0035	Food Services	430,633	-	430,633
0036	Extracurricular Activities	2,349	-	2,349
Debt Service:				
0071	Principal on Long Term Debt	-	335,000	335,000
0072	Interest on Long Term Debt	-	185,388	185,388
0073	Bond Issuance Cost and Fees	-	1,623	1,623
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	24,245	-	24,245
6030	Total Expenditures	<u>1,877,327</u>	<u>522,011</u>	<u>2,399,338</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	18,938	(326,615)	(307,677)
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	357,875	357,875
1200	Net Change in Fund Balance	18,938	31,260	50,198
0100	Fund Balance - September 1 (Beginning)	<u>2,119</u>	<u>3,904</u>	<u>6,023</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 21,057</u>	<u>\$ 35,164</u>	<u>\$ 56,221</u>

REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	\$ 1.303300	\$ 0.185600	\$ 150,775,771
2006	1.339900	0.160000	168,043,590
2007	1.228000	0.165200	186,745,343
2008	0.970000	0.165200	189,890,127
2009	1.000000	0.165200	204,755,848
2010	1.015200	0.160000	202,782,598
2011	1.040000	0.164000	210,807,108
2012	1.040000	0.174000	214,423,024
2013	1.170000	0.044000	216,752,480
2014 (School year under audit)	1.170000	0.064000	216,581,877
1000 TOTALS			

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 6,496	\$ -	\$ 348	\$ 50	\$ (965)	\$ 5,133
3,270	-	189	23	(411)	2,647
5,998	-	1,352	182	(463)	4,001
6,817	-	1,731	295	(812)	3,979
19,978	-	3,140	519	(1,470)	14,849
31,647	-	9,647	1,520	(2,532)	17,948
43,768	-	15,290	2,411	(1,747)	24,320
59,204	-	24,371	4,077	(950)	29,806
90,418	-	46,587	1,752	(2,110)	39,969
-	2,672,620	2,455,555	134,321	-	82,744
<u>\$ 267,596</u>	<u>\$ 2,672,620</u>	<u>\$ 2,558,210</u>	<u>\$ 145,150</u>	<u>\$ (11,460)</u>	<u>\$ 225,396</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, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 157,300	\$ 157,300	\$ 156,491	\$ (809)
5800 State Program Revenues	17,095	17,095	17,033	(62)
5900 Federal Program Revenues	247,300	247,300	274,494	27,194
5020 Total Revenues	421,695	421,695	448,018	26,323
EXPENDITURES:				
Current:				
0035 Food Services	440,808	440,808	430,335	10,473
6030 Total Expenditures	440,808	440,808	430,335	10,473
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,113)	(19,113)	17,683	36,796
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	19,113	19,113	-	(19,113)
1200 Net Change in Fund Balances	-	-	17,683	17,683
0100 Fund Balance - September 1 (Beginning)	1,119	1,119	1,119	-
3000 Fund Balance - August 31 (Ending)	\$ 1,119	\$ 1,119	\$ 18,802	\$ 17,683

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, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 152,075	\$ 120,100	\$ 150,755	\$ 30,655
5800 State Program Revenues	42,290	42,290	44,641	2,351
5020 Total Revenues	194,365	162,390	195,396	33,006
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	335,000	335,000	335,000	-
0072 Interest on Long Term Debt	185,388	185,388	185,388	-
0073 Bond Issuance Cost and Fees	1,600	1,625	1,623	2
6030 Total Expenditures	521,988	522,013	522,011	2
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(327,623)	(359,623)	(326,615)	33,008
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	327,623	359,623	357,875	(1,748)
1200 Net Change in Fund Balances	-	-	31,260	31,260
0100 Fund Balance - September 1 (Beginning)	3,904	3,904	3,904	-
3000 Fund Balance - August 31 (Ending)	\$ 3,904	\$ 3,904	\$ 35,164	\$ 31,260

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FEDERAL AWARDS SECTION

Morgan, Davis, & Company, P.C.
Post Office Box 8158
Greenville, Texas 75404

**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***

Independent Auditor's Report

Edgewood Independent School District
804 East Pine
Edgewood, Texas 75117

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 Edgewood Independent School District, as of and for the year ended August 31, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Edgewood Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Edgewood Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Edgewood Independent School 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Edgewood Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

/s/ Morgan, Davis, & Company, P.C.

Morgan, Davis, & Company, P.C.
Greenville, Texas

November 20, 2014

Morgan, Davis, & Company, P.C.

Post Office Box 8158

Greenville, Texas 75404

Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance

Required by *OMB Circular A-133*

Independent Auditor's Report

Edgewood Independent School District
804 East Pine
Edgewood, Texas 75117

Report on Compliance for Each Major Federal Program

We have audited Edgewood Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Edgewood Independent School District's major federal programs for the year ended August 31, 2014. Edgewood Independent School 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Edgewood Independent School 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Edgewood Independent School 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 Edgewood Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Edgewood Independent School 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, 2014.

Report on Internal Control Over Compliance

Management of Edgewood Independent School 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 Edgewood Independent School 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 OMB Circular A-133, 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 Edgewood Independent School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

/s/ Morgan, Davis, & Company, P.C.

Morgan, Davis, & Company, P.C.
Greenville, Texas

November 20, 2014

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2014

Program/Item	Findings Description
Summary of Audit Results:	
Type of Report on Financial Statements	Unmodified
Control Deficiencies	None
Material Weaknesses Involving Control Deficiencies	None
Noncompliance Material to the Financial Statements	None
Type of Report on Compliance with Major Programs	Unmodified Opinion
Findings and Questioned Costs for Federal Awards as Defined in Section.510(a), OMB Circular A-133	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low Risk Auditee Statements	The District was classified as a low risk auditee in the context of OMB Circular A-133.
Major Federal Programs	Special Education Cluster: IDEA Part B, Formula & Discretionary CFDA#84.027 IDEA Part B, Preschool, CFDA#84.173
Pass-through Entity	Texas Education Agency

Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with Generally Accepted Government Auditing Standards.

There are no findings related to financial statements which are required to be reported in accordance with *Generally Accepted Auditing Standards*.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2014

(Prepared by the District's Administration)

There were no prior audit findings which required corrective action.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2014

(Prepared by the District's Administration)

There were no corrective actions necessary for the year ended August 31, 2014.

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

(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 EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101234903	\$ 165,831
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101234903	7,596
Total CFDA Number 84.010A			173,427
*SSA - IDEA - Part B, Formula	84.027	14660001234903	710,225
*SSA - IDEA - Part B, Formula	84.027	15660001234903	7,452
*SSA - IDEA - Part B, Discretionary	84.027	14660006234903	387,959
Total CFDA Number 84.027			1,105,636
*SSA - IDEA - Part B, Preschool	84.173	14661001234903	5,986
Total Special Education Cluster (IDEA)			1,111,622
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	14696001234903	16,937
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501234903	37,996
Total Passed Through State Department of Education			\$ 1,339,982
TOTAL DEPARTMENT OF EDUCATION			\$ 1,339,982
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	\$ 3,506
Total Passed Through Texas Dept of Human Services			\$ 3,506
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 3,506
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	14-234903	\$ 49,677
*National School Lunch Program - Cash Assistance	10.555	14-234903	197,792
*National School Lunch Prog. - Non-Cash Assistance	10.555	14-234903	27,025
Total CFDA Number 10.555			224,817
*Summer Feeding Program - Cash Assistance	10.559	14-234903	298
Total Child Nutrition Cluster			274,792
Total Passed Through the State Department of Agriculture			\$ 274,792
TOTAL DEPARTMENT OF AGRICULTURE			\$ 274,792
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,618,280

*Clustered Programs

EDGEWOOD INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance is generally accounted for in a Special Revenue Fund.
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. All Federal grant funds were accounted for in a Special Revenue Fund that is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. 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. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred expenditures until earned.
3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement.
4. The District participates in numerous Federal grant programs that 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, in any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2014, 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 provisions have been recorded in the accompanying financial statements for such contingencies.
5. The SSA-Special Education Fund had SHARS program revenue of \$253,020, and the General Fund had E-Rate program revenue of \$3,080 that are not considered federal financial assistance and are not included in the Schedule of Expenditures of Federal Awards.

SCHOOLS FIRST QUESTIONNAIRE

Edgewood Independent School District

Fiscal Year 2014

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	10,976