

EDNA
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2014



Edna Independent School District

Edna Independent School District
Annual Financial Report
For The Year Ended August 31, 2014

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION		
Certificate of Board.....	1	
FINANCIAL SECTION		
Independent Auditor's Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	10	A-1
Statement of Activities.....	11	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	12	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	13	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	14	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	15	C-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	16	E-1
Notes to the Financial Statements	17	
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedules:		
General Fund.....	29	G-1
Notes to Required Supplementary Information.....	31	
<u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	32	H-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	33	H-2
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	34	H-3
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	36	H-4
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	40	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	42	J-2
Debt Service Fund.....	43	J-3

Edna Independent School District
Annual Financial Report
For The Year Ended August 31, 2014

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44	
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.....	46	
Schedule of Findings and Questioned Costs	48	
Summary Schedule of Prior Audit Findings.....	49	
Corrective Action Plan.....	50	
Schedule of Expenditures of Federal Awards	51	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	52	
Schedule of Required Responses to Selected School First Indicators.....	53	L-1

CERTIFICATE OF BOARD

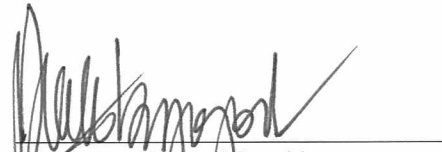
Edna Independent School District
Name of School District

Jackson
County

120-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2014, at a meeting of the board of trustees of such school district on the 20 day of October, 2014.


Signature of Board Secretary


Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)



Edna Independent School District

Financial Section



Edna Independent School District

Reed & Associates, PC

Certified Public Accountants
1717 8th Street, Suite 5
Bay City, Texas 77414
(979) 245-7361 ~ *auditors@swbell.net*

Independent Auditor's Report

To the Board of Trustees
Edna Independent School District
PO Drawer 919
Edna, Texas 77957-0919

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edna Independent School District ("the District") as of and for the year ended August 31, 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 of material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Edna Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information 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 and individual nonmajor fund financial statements and other supplementary information 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2014 on our consideration of Edna 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 Edna Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Reed & Associates, PC
Bay City, Texas
September 24, 2014

EDNA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
AUGUST 31, 2014

This discussion and analysis of the Edna Independent School District's financial statements provides a narrative overview of the District's financial activities for the fiscal year ended August 31, 2014. The information presented here should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Edna Independent School District's finances in a manner similar to private sector business. They present the financial picture of the District from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District as well as all liabilities. Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position over time may serve as a useful indicator of whether the financial position of Edna Independent School District is improving or deteriorating.

The *statement of activities* presents information showing how the district's net position changed during the most recent fiscal year using full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Edna Independent School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *current sources and uses of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a district's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the district's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the district. Fiduciary funds are not reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

EDNA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
AUGUST 31, 2014

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

District-wide Financial Analysis

The District's net position at August 31, 2014 and 2013 are summarized as follows:

EDNA INDEPENDENT SCHOOL DISTRICT'S NET POSITION

	Governmental Activities		Change
	8/31/2014	8/31/2013	
Current and other assets	\$ 11,959,089	\$ 12,218,582	\$ (259,493)
Capital assets	39,865,245	39,907,237	(41,992)
Total assets	<u>51,824,334</u>	<u>52,125,819</u>	<u>(301,485)</u>
			-
Other liabilities	699,259	1,291,177	(591,918)
Long-term liabilities	20,332,768	21,163,054	(830,286)
Total liabilities	<u>21,032,027</u>	<u>22,454,231</u>	<u>(1,422,204)</u>
			-
Net position:			-
Net investment in capital ass	19,810,245	19,037,237	773,008
Restricted	778,834	689,740	89,094
Unrestricted	10,203,228	9,944,611	258,617
Total net position	<u>\$ 30,792,307</u>	<u>\$ 29,671,588</u>	<u>\$ 1,120,719</u>

Net position may serve over time as a useful indicator of a district's financial position. In the case of Edna Independent School District, assets exceeded liabilities by \$30,792,307 at the close of the most recent fiscal year, August 31, 2014.

A large portion of the District's net position (64 percent) reflects its investment in capital assets less any debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services to students; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position (3 percent) represents resources that are subject to external restrictions on how they may be used and the unrestricted net position represent amounts available for spending (33 percent).

Current assets decreased \$259,493, representing a combination of increased cash position of \$343,059 and a decrease in receivables of \$603,140 primarily in federal and state grants. Capital assets decreased a net \$41,992 which is discussed further below. Current liabilities decreased \$591,918 due to a combination of decreased accounts payable from a construction project in 2013, but an increase in accrued payroll due to an increased number of workdays in August 2014 compared to 2013. Long-term liabilities decreased \$830,286 as discussed further below.

EDNA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
AUGUST 31, 2014

The District's governmental activities as of August 31, 2014 and 2013 are summarized as follows:

EDNA INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET POSITION

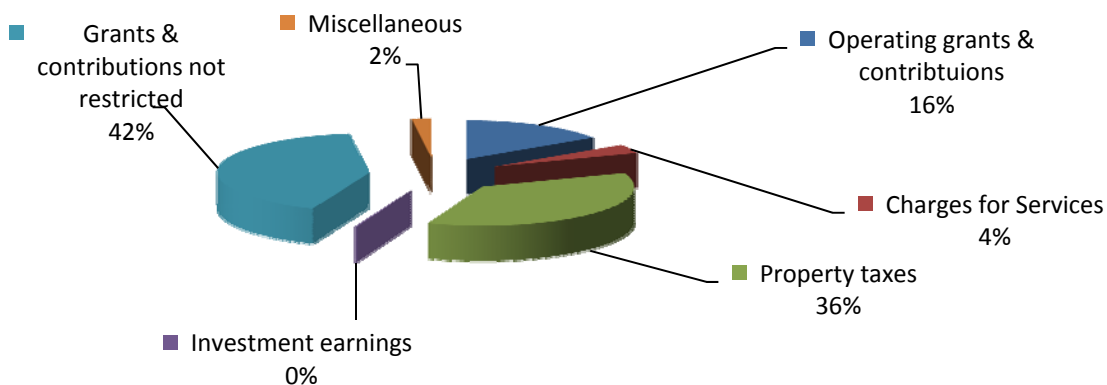
	Governmental Activities		Change
	8/31/2014	8/31/2013	
Revenues:			
Program Revenues:			
Charges for services	\$ 668,691	\$ 645,390	\$ 23,301
Operating grants	2,819,985	3,731,385	(911,400)
General Revenues:			-
Property taxes	6,584,409	5,611,676	972,733
Investment earnings	43,190	98,376	(55,186)
Grants & contributions not restricted	7,564,291	7,608,626	(44,335)
Miscellaneous	376,147	123,678	252,469
Transfers	-	781	(781)
Total revenues	18,056,713	17,819,912	236,801
Expenses:			
Instruction	8,915,224	8,024,686	890,538
Instructional resources	181,244	189,272	(8,028)
Curr and staff development	109,318	94,798	14,520
Instructional leadership	323,508	316,014	7,494
School leadership	878,328	856,758	21,570
Guidance & counseling	590,298	538,522	51,776
Health services	162,238	150,962	11,276
Student transportation	425,772	365,566	60,206
Food service	848,163	828,298	19,865
Extracurricular activities	762,980	549,869	213,111
General administration	762,648	590,415	172,233
Plant maintenance	1,784,229	1,661,730	122,499
Security & monitoring	53,847	16,286	37,561
Data processing	72,601	62,734	9,867
Community services	12,715	7,856	4,859
Interest on long-term debt	692,517	710,471	(17,954)
Bond issuance costs & fees	1,600	1,600	-
Capital Outlay	93,196	166,266	(73,070)
Payments to SSA	58,537	48,410	10,127
Intergovernmental Charges	207,032	176,879	30,153
Total expenses	16,935,995	15,357,392	1,578,603
			-
Increase in net position	1,120,718	2,462,520	(1,341,802)
Net position, beginning	29,671,589	27,477,977	2,193,612
Prior Period Adjustment	-	(268,909)	268,909
Net position ending	\$ 30,792,307	\$ 29,671,588	\$ 1,120,719

Governmental activities. Governmental activities increased the District's net position by \$1,120,718 compared to the prior year increase of \$2,462,520. Revenue increased by a net of \$236,801 and expenditures increased by \$1,578,603. Key elements of the net changes are as follows:

EDNA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
AUGUST 31, 2014

- Operating grants decreased \$911,400 due primarily to the completion of the federal hazard mitigation grant in 2013 of \$933,521.
- Property taxes increased \$972,733 due primarily to an increase in values of over \$105M.
- Other revenue increased \$252,469 due to chapter 313 payments of \$282,000.
- Instructional costs increased \$890,538. Approximately \$250,000 represents increased payroll costs due primarily to raises during the year, approximately \$450,000 represents new hardware and software upgrades and another \$50,000 represents the purchase of band instruments.
- Extracurricular costs increased \$213,111. Approximately \$100,000 represents increased payroll costs due to pay increases as well as the overlap of athletic director salaries during the year. The remaining increases were spread among the various categories of supplies with no single item standing out.
- Administrative costs increased \$172,233. Approximately \$120,000 of this increase is in payroll costs due to the overlap of superintendents during the year.
- Plant maintenance increased \$122,499. Over \$45,000 represents an increase in utility costs during the year, with the remaining spread among the various categories with no single item standing out.

Revenues by Source - Governmental Activities



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls has been the framework of the District's strong fiscal management and accountability.

Governmental funds. The general government functions are reported in the General and Special Revenue Funds. The focus of the District's *governmental funds* is to provide information on current sources, uses, and balances of *spendable* resources. Such information is useful in determining the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year the District's governmental funds reported combined ending fund balances of \$11,061,171, an increase of \$392,766 over the prior year fund balance. Portions of the fund balance are restricted 1) to pay debt 2) for federal and state grants and 3) for operation of special education cooperative and a portion is committed for the use at each campus due to fundraising efforts. The remaining balance of \$10,233,581 represents unassigned fund balance which is available for spending at the District's discretion.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,233,581. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unassigned fund balance represents 75 percent of total general fund expenditures.

EDNA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
AUGUST 31, 2014

The fund balance of the general fund increased by \$279,345 compared to the prior year decrease of \$2,072,018. Overall revenue was up \$439,706 and expenditures were down \$1,903,947. Key elements of the net change are as follows:

- While federal revenue was down \$821,271 due to the completion of the hazard mitigation grant relating to the dome gymnasium, local revenue was up \$1,341,776 due to increased tax collections of over \$1.1M and chapter 313 payments of \$282,000.
- Capital outlay costs decreased \$3,853,925 of which over \$4.3M was due to completion of the dome gymnasium, High School science building and Elementary School addition in 2013. In addition, the District incurred over \$600,000 in current year capital additions discussed further below.
- Instructional costs, extracurricular costs, administrative costs and maintenance costs increased \$941,615, \$241,792, \$175,507 and \$157,113 respectively for the same reasons as noted above under the district-wide financial analysis.

General Fund Budgetary Highlights. The Board of Trustees approved increases to the estimated revenue of \$23,043 and increases to appropriations during the year of \$1,784,094. Some of the more significant increases are as follows:

- \$471,265 in function 11 to primarily for the software and hardware upgrades noted.
- \$140,905 in function 41 primarily in wages to allow for the overlap of superintendents during the year as noted above.
- \$824,495 in function 81 to allow for the capital projects during the year.
- \$164,000 in function 93 to allow for the funding of personnel through the special education coop.

Actual revenues exceeded estimated amounts by \$829,266, while expenditures were less than appropriations by \$1,213,539. The District recognized greater than anticipated tax revenue and increased miscellaneous revenue due to the chapter 313 payments as noted earlier. The majority of the expenditure savings were in payroll, trip charges and capital outlay costs.

Debt Administration

Significant debt administration events during the current fiscal year include scheduled principal payments of \$815,000.

Capital Assets

Some of the more significant capital events during the year include a Junior High roofing project \$155,518, HVAC \$151,762 and weight room \$98,895; a High School weight room \$111,657 and concession stand \$44,619; district-wide networking and a computer lab \$103,371 and a school bus \$91,958. The District also recognized depreciation expense for the year of \$909,766.

Economic Factors and Next Year's Budgets and Rates

The annual budget is developed to provide efficient, effective and controlled use of the District's resources. The process of setting the District's annual fiscal year budget and tax rates continue to present numerous items to consider. The economy and enrollment trends are major factors in setting the District's annual fiscal year budget and tax rates, but the budget and tax rates continue to be largely influenced by mandates from HB 1 which came from the 79th Legislature. HB1 compressed the tax rate to \$1.00 with a \$0.04 option or a \$1.04 total M&O rate. Additional, HB1 allows districts to access up to \$0.13 additional cents on the local M&O Tax Rate, with voter approval, through a Rollback Election.

EDNA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
AUGUST 31, 2014

Construction projects funded through past school bonds have provided our students some of the finest facilities in our region and have accommodated most of the growth occurring in our population. The District's I&S Tax Rate was set at \$0.2677 per \$100 valuation for 2014-2015 in order to collect adequate funds for payments of current school bonds. Appraised property values for 2014-2015 are \$569,825,926, an increase compared to 2013-2014 appraised values at \$473,785,005. Preliminary attendance figures indicate a slight increase in enrollment for 2014-2015.

Amounts available for appropriation in the General Fund budget for 2014-2015 are \$13,335,765. Budget general fund expenditures are expected to increase about \$348,613 in 2014-2015 from the 2013-2014 budgeted expenditures. This increase is largely due to raises given to staff for the 2014-2015 school year and addition of instructional personnel. Potential capital projects may materialize due to purchase of a new Administration building.

The Board and School Administration continue to be optimistic toward the future of this district and will continue to utilize all resources available for the advancement and progress of the Edna Independent School District.

Request for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Edna Independent School District, Attention: Business Manager, PO Drawer 919, Edna, Tx 77957-0919 or call 361-782-3573.

Basic Financial Statements



Edna Independent School District

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

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 3,146,249
1120	<i>Current Investments</i>	8,242,536
1225	<i>Property Taxes Receivable (Net)</i>	229,079
1240	<i>Due from Other Governments</i>	341,225
Capital Assets:		
1510	<i>Land</i>	201,179
1520	<i>Buildings and Improvements, Net</i>	38,860,120
1530	<i>Furniture and Equipment, Net</i>	803,946
1000	Total Assets	<u>51,824,334</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	41,510
2140	<i>Interest Payable</i>	30,420
2165	<i>Accrued Liabilities</i>	526,922
2300	<i>Unearned Revenue</i>	100,407
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	835,000
2502	<i>Due in More Than One Year</i>	19,497,768
2000	Total Liabilities	<u>21,032,027</u>
NET POSITION		
3200	Net Investment in Capital Assets	19,810,245
Restricted For:		
3820	State and Federal Programs	43,505
3850	Debt Service	606,404
3890	Other Purposes	128,925
3900	Unrestricted	10,203,228
3000	Total Net Position	<u>\$ 30,792,307</u>

The accompanying notes are an integral part of this statement.

EDNA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	<i>Instruction</i>	\$ 8,915,224	\$ 207,228	\$ 1,414,938	\$ (7,293,058)	
12	<i>Instructional Resources and Media Services</i>	181,244	2,845	8,275	(170,124)	
13	<i>Curriculum and Staff Development</i>	109,318	--	25,838	(83,480)	
21	<i>Instructional Leadership</i>	323,508	45,538	57,339	(220,631)	
23	<i>School Leadership</i>	878,328	--	45,202	(833,126)	
31	<i>Guidance, Counseling, & Evaluation Services</i>	590,298	25,428	245,246	(319,624)	
33	<i>Health Services</i>	162,238	17,992	14,723	(129,523)	
34	<i>Student Transportation</i>	425,772	--	17,957	(407,815)	
35	<i>Food Service</i>	848,163	247,810	559,671	(40,682)	
36	<i>Cocurricular/Extracurricular Activities</i>	762,980	110,099	14,999	(637,882)	
41	<i>General Administration</i>	762,648	10,112	24,843	(727,693)	
51	<i>Facilities Maintenance and Operations</i>	1,784,229	1,530	8,711	(1,773,988)	
52	<i>Security and Monitoring Services</i>	53,847	--	--	(53,847)	
53	<i>Data Processing Services</i>	72,601	--	3,434	(69,167)	
61	<i>Community Services</i>	12,715	109	570	(12,036)	
72	<i>Interest on Long-term Debt</i>	692,517	--	319,702	(372,815)	
73	<i>Bond Issuance Costs and Fees</i>	1,600	--	--	(1,600)	
81	<i>Capital Outlay</i>	93,196	--	--	(93,196)	
93	<i>Payments Related to Shared Services Arrangements</i>	58,537	--	58,537	--	
99	<i>Other Intergovernmental Charges</i>	207,032	--	--	(207,032)	
TG	Total Governmental Activities	16,935,995	668,691	2,819,985	(13,447,319)	
TP	Total Primary Government	<u>\$ 16,935,995</u>	<u>\$ 668,691</u>	<u>\$ 2,819,985</u>	<u>(13,447,319)</u>	
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>				5,231,324	
DT	<i>Property Taxes, Levied for Debt Service</i>				1,353,085	
IE	<i>Investment Earnings</i>				43,190	
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				7,564,291	
MI	<i>Miscellaneous</i>				376,147	
TR	Total General Revenues				<u>14,568,037</u>	
CN	Change in Net Position				1,120,718	
NB	Net Position - Beginning				29,671,589	
NE	Net Position - Ending				<u>\$ 30,792,307</u>	

The accompanying notes are an integral part of this statement.

EDNA INDEPENDENT SCHOOL DISTRICT*BALANCE SHEET - GOVERNMENTAL FUNDS*

AUGUST 31, 2014

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:			
1110	\$ 2,386,919	\$ 759,330	\$ 3,146,249
1120	8,242,536	--	8,242,536
1225	181,090	47,989	229,079
1240	150,109	191,116	341,225
1260	28,669	--	28,669
1000	<u>10,989,323</u>	<u>998,435</u>	<u>11,987,758</u>
LIABILITIES:			
Current Liabilities:			
2110	\$ 41,510	\$ --	\$ 41,510
2150	588	--	588
2160	424,080	88,179	512,259
2170	--	28,669	28,669
2200	8,067	6,008	14,075
2300	100,407	--	100,407
2000	<u>574,652</u>	<u>122,856</u>	<u>697,508</u>
DEFERRED INFLOWS OF RESOURCES:			
	181,090	47,989	229,079
2600	<u>181,090</u>	<u>47,989</u>	<u>229,079</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450	--	43,505	43,505
3480	--	619,070	619,070
3490	--	128,925	128,925
Committed Fund Balances:			
3545	--	36,090	36,090
3600	10,233,581	--	10,233,581
3000	<u>10,233,581</u>	<u>827,590</u>	<u>11,061,171</u>
4000	<u>\$ 10,989,323</u>	<u>\$ 998,435</u>	<u>\$ 11,987,758</u>

The accompanying notes are an integral part of this statement.

EDNA INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2014*

Total fund balances - governmental funds balance sheet	\$ 11,061,171
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	39,865,245
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	229,079
Payables for bond principal which are not due in the current period are not reported in the funds.	(20,055,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(30,420)
Unamortized bond premiums are deferred in the statement of net position.	<u>(277,768)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 30,792,307</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 5,756,348	\$ 2,358,931	\$ 8,115,279
5800 <i>State Program Revenues</i>	7,963,863	465,829	8,429,692
5900 <i>Federal Program Revenues</i>	112,250	2,045,873	2,158,123
5020 Total Revenues	<u>13,832,461</u>	<u>4,870,633</u>	<u>18,703,094</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	7,027,440	1,557,922	8,585,362
0012 <i>Instructional Resources and Media Services</i>	166,854	2,309	169,163
0013 <i>Curriculum and Staff Development</i>	77,430	25,838	103,268
0021 <i>Instructional Leadership</i>	142,828	160,510	303,338
0023 <i>School Leadership</i>	817,350	6,294	823,644
0031 <i>Guidance, Counseling, & Evaluation Services</i>	266,572	289,354	555,926
0033 <i>Health Services</i>	99,072	53,531	152,603
0034 <i>Student Transportation</i>	494,397	--	494,397
0035 <i>Food Service</i>	617	794,679	795,296
0036 <i>Cocurricular/Extracurricular Activities</i>	689,212	38,672	727,884
0041 <i>General Administration</i>	694,964	30,000	724,964
0051 <i>Facilities Maintenance and Operations</i>	1,709,206	--	1,709,206
0052 <i>Security and Monitoring Services</i>	52,808	--	52,808
0053 <i>Data Processing Services</i>	68,597	--	68,597
0061 <i>Community Services</i>	11,365	849	12,214
0071 <i>Principal on Long-term Debt</i>	--	815,000	815,000
0072 <i>Interest on Long-term Debt</i>	--	708,578	708,578
0073 <i>Bond Issuance Costs and Fees</i>	--	1,600	1,600
0081 <i>Capital Outlay</i>	655,647	--	655,647
0093 <i>Payments to Shared Service Arrangements</i>	376,316	272,076	648,392
0099 <i>Other Intergovernmental Charges</i>	207,032	--	207,032
6030 Total Expenditures	<u>13,557,707</u>	<u>4,757,212</u>	<u>18,314,919</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>274,754</u>	<u>113,421</u>	<u>388,175</u>
Other Financing Sources and (Uses):			
7912 <i>Sale of Real or Personal Property</i>	4,591	--	4,591
7080 Total Other Financing Sources and (Uses)	<u>4,591</u>	<u>--</u>	<u>4,591</u>
1200 Net Change in Fund Balances	<u>279,345</u>	<u>113,421</u>	<u>392,766</u>
0100 Fund Balances - Beginning	<u>9,954,236</u>	<u>714,169</u>	<u>10,668,405</u>
3000 Fund Balances - Ending	<u>\$ 10,233,581</u>	<u>\$ 827,590</u>	<u>\$ 11,061,171</u>

The accompanying notes are an integral part of this statement.

EDNA INDEPENDENT SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	\$ 392,766
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	867,774
The depreciation of capital assets used in governmental activities is not reported in the funds.	(909,765)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(61,117)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	815,000
(Increase) decrease in accrued interest from beginning of period to end of period.	775
Bond premiums are amortized in the SOA but no in the funds.	<u>15,285</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,120,718</u>

The accompanying notes are an integral part of this statement.

EDNA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2014

Data Control Codes		Agency Fund
		Student Activity
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 69,285
1000	Total Assets	<u>69,285</u>
	LIABILITIES:	
	Current Liabilities:	
2190	<i>Due to Student Groups</i>	\$ 69,285
2000	Total Liabilities	<u>69,285</u>
	NET POSITION:	
3000	Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.



Edna Independent School District

EDNA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. All fiduciary activities are reported only in the fund financial statements.

Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board.

The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Additionally, the District reports the following fund types:

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

EDNA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, food service fund and debt service fund. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared at the fund and function level. The department heads may make transfers of appropriations within a function; however, transfers of appropriations between functions require the approval of the Board of Trustees. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level.

EDNA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Assets, Liabilities, Deferred Outflows/inflows of Resources, and Net Position/fund Balance

Cash and cash equivalents:

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments:

Investments for the District are reported at fair value (generally based on quoted market prices) except for the position in Government Investment Pool (Pool). In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

Capital assets:

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used. Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Building Improvements	15
Vehicles	8-10
Equipment	5-10

Deferred outflows/inflows of resources:

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. The item "unavailable" revenue is reported in the governmental funds balance sheet. The "unavailable" source represents the uncollected delinquent taxes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available for governmental funds.

EDNA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2014

Net position flow assumption:

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund balance flow assumptions:

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies:

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Trustees has not delegated the authority to assign fund balance. When it is appropriate to assign fund balance this is accomplished in the same manner as committed funds that is through the adoption of a resolution. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/expenses

Program revenues:

Amounts reported as program revenues include 1) fees, fines, and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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 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 1 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

EDNA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

Compensated absences:

Vacation days shall be used during the year in which they are earned and shall not accumulate. Unused vacation days shall not be reimbursed upon the employee's resignation, retirement, or any other termination of employment.

An employee who retires from the District shall be eligible for reimbursement for state and local leave under the following conditions: 1) the employee's retirement is voluntary, i.e., the employee is not being discharged or nonrenewed 2) the employee provides advance written notice of intent to retire. Contract employees must provide written notice at least 30 days before the last day of employment. Non-contract employees must provide written notice at least two weeks before the last day of employment and 3) the employee has at least ten years of service with the District. The employee shall be reimbursed for each day of state and local leave, to a maximum of 50 days, at a rate established by the Board. If the employee is reemployed with the District, days for which the employee received payment shall not be available to that employee.

Data control codes:

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

B. Compliance and Accountability

Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Requirement:

Government Code Title 10, Chapter 2269 "Contracting and Delivery Procedures for Construction Projects" states the following:

Sec. 2269.052 "Notice Requirements". (a) A governmental entity shall advertise or publish notice of requests for bids, proposals, or qualifications in a manner prescribed by law. (b) For a contract entered into by a governmental entity under a method provided by this chapter, the governmental entity shall publish notice of the time and place the bid or proposal or request for qualifications will be received and opened in a manner prescribed by law.

Sec. 2269.058. "Use of Other Professional Services". (a) Independently of the contractor, construction manager-at-risk, or design-build firm, the governmental entity shall provide or contract for the construction materials engineering, testing, and inspection services and the verification testing services necessary for acceptance of the facility by the governmental entity.

Violation:

It was noted where two capital projects did not meet the requirements noted above under government code section 2269 regarding construction projects.

Action Taken:

The new business manager hired after the above violations is fully aware of the requirements and will ensure future projects are handled appropriately in accordance with applicable government code sections as well as local purchasing policies.

EDNA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

C. Deposits and Investments

Cash Deposits

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's funds are required to be deposited and invested under the terms of a depository contract. At August 31, 2014, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$11,447,555 and the bank balance was \$11,784,291. 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 collateral held by the District's agent bank in the District's name.

Investments

All investments made by the District shall comply with the Public Funds Investment Act (Texas Government Code Chapter 2256, Subchapter A) and all federal, state, and local statutes, rules or regulations. The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper. The State Treasurer's Investment Pool (Pool) operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. The Pool has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

As of August 31, 2014 the District had the following investments:

Investment or Investment Type	Maturity	Credit Rating	Fair Value
Prosperity Bank Money Market	N/A	N/A	\$ 8,235,220
First Public	N/A	Aaa	7,316
Total Investments			<u>\$ 8,242,536</u>

D. Disaggregated Receivables

Receivables as of the year end for the District's individual funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General	Other Governmental	Governmental Totals
Taxes	\$ 432,500	\$ 92,778	\$ 525,278
Rendition Penalties	4,209	1,501	5,710
Less Allowance on Taxes	(255,619)	(46,290)	(301,909)
	<u>\$ 181,090</u>	<u>\$ 47,989</u>	<u>\$ 229,079</u>
Due from other governments:			
Texas Education Agency	\$ --	\$ 184,772	\$ 184,772
Jackson County	150,109	6,344	156,453
	<u>\$ 150,109</u>	<u>\$ 191,116</u>	<u>\$ 341,225</u>

There are no significant receivables that are not scheduled for collection within one year of year end.

EDNA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

E. Capital Assets

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

<u>Governmental activities:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 201,179	\$ --	\$ --	\$ 201,179
<i>Capital assets being depreciated:</i>				
Buildings and improvements	45,480,986	622,470		46,103,456
Equipment	530,171	153,345		683,516
Vehicles	1,327,250	91,958	82,179	1,337,029
Total capital assets being depreciated	<u>47,338,407</u>	<u>867,773</u>	<u>82,179</u>	<u>48,124,001</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(6,464,470)	(778,867)		(7,243,337)
Equipment	(351,658)	(32,979)		(384,637)
Vehicles	(816,222)	(97,920)	(82,179)	(831,963)
Total accumulated depreciation	<u>(7,632,350)</u>	<u>(909,766)</u>	<u>(82,179)</u>	<u>(8,459,937)</u>
Governmental activities capital assets, net	<u>\$ 39,907,236</u>	<u>\$ (41,993)</u>	<u>\$ --</u>	<u>\$ 39,865,243</u>

Depreciation of \$909,766 was charged to functions as follows:

Instruction	\$ 512,187
Instructional Resources and Media Services	12,081
Curriculum and Staff Development	6,051
Instructional Leadership	20,170
School Leadership	54,684
Guidance, Counseling, & Evaluation Services	34,372
Health Services	9,635
Student Transportation	23,333
Food Services	52,867
Extracurricular Activities	35,096
General Administration	37,684
Plant Maintenance and Operations	106,062
Security and Monitoring Services	1,039
Data Processing Services	4,004
Community Services	501
	<u>\$ 909,766</u>

F. Pension Plan

Plan Description

The 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.

EDNA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

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 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% 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 particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Contribution rates and contributions for the last three fiscal years 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 including federally funded personnel, new hires and amounts above statutory minimum.

Contribution Rates and Contribution Amounts					
Year	Member		Rate	State on-behalf	
	Rate	Amount		Amount	District Amount
2014	6.400%	491,997	6.400%	420,096	115,373
2013	6.400%	475,681	6.400%	373,791	111,805
2012	6.400%	442,119	6.000%	330,543	83,944

G. Retiree Health Care Plan

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS Care), a cost sharing multiple employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The 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 Web site 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 the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. 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 than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for the last three fiscal years.

Contribution Rates and Contribution Amounts						
Year	Member		State on-behalf		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	0.650%	49,968	1.000%	71,168	0.550%	61,140
2013	0.650%	48,311	0.500%	33,958	0.550%	54,163
2012	0.650%	44,903	1.000%	62,337	0.550%	44,739

EDNA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

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. For the fiscal years ended August 31, 2014, 2013, and 2012, the subsidy payments received by TRS-Care on behalf of the District were \$20,558, \$28,287, and \$16,976, respectively.

H. Risk Management

Property Casualty

During the year ended August 31, 2014, Edna ISD met its statutory property casualty obligations through participation in the Property Casualty Alliance of Texas (the Fund). The Fund was created pursuant to the provisions of the Interlocal Cooperation Act, Chapter 791, Title 7 of the Texas Government Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides property and casualty coverage and services to its members.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any covered claim in excess of the Fund's self-insured retentions. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. For the year ended February 28, 2014, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on the last day of February. The audit is approved by the Fund's Board of Trustees by July of the same year. The Fund's audited financial statement as of February 28, 2014 are available for inspection at the Fund's administrative offices.

Unemployment Compensation Pool

During the year ended August 31, 2014, Edna ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for unemployment compensation pool members.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2013 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Workers Compensation Pool

During the year ended August 31, 2014, the District met its statutory workers' compensation obligations through participation in the Claims Administrative Self Insurance Fund (the Fund). The Fund was created and is operated under provisions of the Interlocal Cooperation Act of the Texas Government Code. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The fund pays all administrative costs and administers all claims for its members. The District pays a fixed fee for this coverage under a three year contract, and is not liable for any additional costs other than this fixed amount. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

EDNA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

I. Employee Health Care Coverage

During the year ended August 31, 2014, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$273 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions.

J. Long-Term Obligations

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds in the amount of \$23,760,000 have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District and are comprised of current interest bonds and qualified school construction bonds, described further below.

Qualified School Construction Bonds (QSCB) are a U.S. debt instrument created by Section 1521 of the American Recovery and Reinvestment Act of 2009. Section 54F of the Internal Revenue code covers QSCBs. The bonds may be used for the rehabilitation, repair and equipping of schools in addition to the purchase of land on which a public school will be built. The QSCB lender receives a Federal tax credit set by the IRS in lieu of receiving an interest payment. These bonds are interest free and matures February of 2026.

Governmental Activities:

General Obligation Bonds	Sale Date	Original Borrowed	Interest Rate to Maturity	Final Maturity	Outstanding Balance
2006 Schoolhouse Bonds	7/15/2006	9,810,000	4.1-5.0%	2/15/2031	7,675,000
2007 Schoolhouse Bonds	7/15/2007	2,080,000	4.25-5.0%	2/15/2031	1,720,000
2011 School Building Bonds	2/15/2011	6,335,000	2.0-5.0%	2/15/2036	5,980,000
2011 QSC Bonds	2/15/2011	5,535,000	None	2/15/2026	4,680,000
					20,055,000

Changes in Long-Term Debt

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2014, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 20,870,000	\$ --	\$ 815,000	\$ 20,055,000	\$ 835,000
Add deferred amounts:	--	--	--	--	--
Issuance premium	293,054	--	15,286	277,768	--
Total governmental activities	\$ 21,163,054	\$ --	\$ 830,286	\$ 20,332,768	\$ 835,000

EDNA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

Debt service requirements on long-term debt at August 31, 2014, are as follows:

General Obligation Bonds:

Year Ending June 30,	Governmental Activities		Total
	Principal	Interest	
2015	\$ 835,000	\$ 690,666	\$ 1,525,666
2016	850,000	672,185	1,522,185
2017	875,000	652,306	1,527,306
2018	895,000	631,791	1,526,791
2019	915,000	611,061	1,526,061
2020-2024	4,925,000	2,705,174	7,630,174
2025-2029	5,460,000	1,916,859	7,376,859
2030-2034	4,080,000	714,500	4,794,500
2035-2039	1,220,000	61,750	1,281,750
Totals	<u>\$ 20,055,000</u>	<u>\$ 8,656,292</u>	<u>\$ 28,711,292</u>

K. Fund Balance

Stabilization Funds

On August 29, 2011 the Board of Trustees adopted a stabilization policy. The amount of General Fund fund balance for stabilization to provide for emergencies, contingencies, revenue shortfalls or budgetary imbalances is to be maintained at an amount not less than three months of General Fund operating expenditures, measured based on the most recently completed fiscal year. This amount maintained for stabilization funding is to be reported in the Unassigned fund balance classification each year.

Minimum Fund Balance Policy

The District shall maintain, at all times, an overall unrestricted fund balance (committed fund balance, assigned fund balance, and unassigned fund balance) of not less than three months of regular general fund operating expenditures, measured based on the most recently completed fiscal year. If it is determined that the District is below this minimum established fund balance level, the Board shall be informed of this condition and shall take necessary budgetary actions to bring the fund balance level into compliance with this policy. The governing board committed fund balances as follows:

Committed Fund Balances

The Board of Trustees committed funds in the campus activities special revenue fund for use at the campus level.

Restricted Fund Balances

Restricted fund balances in the special revenue funds represent amounts restricted for state and federal grants as well as amounts restricted by outside parties for use in the special education cooperative. Fund balance in the debt service fund is restricted for the retirement of long-term debt.

L. Interfund Balances and Activities

Balances due to and due from other funds at August 31, 2014, are schedule to be repaid within one year and consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	<u>\$ 28,669</u>	Short-term loans

EDNA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

M. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides special education services using state and local funds to the member districts listed below. All services are provided by the fiscal agent. The member Districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Edna ISD	\$ 457,412
Industrial ISD	254,546
Ganado ISD	130,153
Total	<u>\$ 842,111</u>

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides special education services using federal funds to the member districts listed below. All services are provided by the fiscal agent. The state passes the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 2 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Formula</u>	<u>Preschool</u>	<u>Discretionary</u>
Edna ISD	\$ 170,198	\$ 12,272	\$ 109,798
Industrial ISD	105,659	4,722	--
Ganado ISD	68,309	1,416	--
Total	<u>\$ 344,166</u>	<u>\$ 18,410</u>	<u>\$ 109,798</u>

N. Disaggregated Revenue

Local and intermediate sources of revenue reported in the fund financial statements for the year ended August 31, 2014 consisted of the following:

	<u>General Fund</u>	<u>Other Gov Funds</u>	<u>Totals</u>
Property taxes	\$ 5,187,388	\$ 1,346,973	\$ 6,534,361
Penalties & Interest	92,390	18,779	111,169
Shared service payments		662,097	662,097
Tuition and fees	3,480		3,480
Investment earnings	41,040	2,672	43,712
Food service fees		247,649	247,649
Athletic receipts	62,447		62,447
Enterprising receipts		35,462	35,462
Gifts & bequests	11,500	45,299	56,799
Other	358,103		358,103
	<u>\$ 5,756,348</u>	<u>\$ 2,358,931</u>	<u>\$ 8,115,279</u>

O. Commitments and Contingencies

Contingencies

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

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.



Edna Independent School District

EDNA INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT G-1

Page 1 of 2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	Local and Intermediate Sources	\$ 5,198,545	\$ 5,198,545	\$ 5,756,348	\$ 557,803
5800	State Program Revenues	7,781,607	7,804,650	7,963,863	159,213
5900	Federal Program Revenues	--	--	112,250	112,250
5020	Total Revenues	<u>12,980,152</u>	<u>13,003,195</u>	<u>13,832,461</u>	<u>829,266</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	6,811,979	7,260,658	7,027,440	233,218
0012	Instructional Resources and Media Services	185,135	208,621	166,854	41,767
0013	Curriculum and Staff Development	93,025	92,125	77,430	14,695
	Total Instruction & Instr. Related Services	<u>7,090,139</u>	<u>7,561,404</u>	<u>7,271,724</u>	<u>289,680</u>
Instructional and School Leadership:					
0021	Instructional Leadership	170,356	170,356	142,828	27,528
0023	School Leadership	880,421	880,421	817,350	63,071
	Total Instructional & School Leadership	<u>1,050,777</u>	<u>1,050,777</u>	<u>960,178</u>	<u>90,599</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	295,600	295,501	266,572	28,929
0033	Health Services	108,399	108,420	99,072	9,348
0034	Student (Pupil) Transportation	685,647	685,986	494,397	191,589
0035	Food Services	16,900	16,900	617	16,283
0036	Cocurricular/Extracurricular Activities	637,056	742,292	689,212	53,080
	Total Support Services - Student (Pupil)	<u>1,743,602</u>	<u>1,849,099</u>	<u>1,549,870</u>	<u>299,229</u>
Administrative Support Services:					
0041	General Administration	706,447	847,352	694,964	152,388
	Total Administrative Support Services	<u>706,447</u>	<u>847,352</u>	<u>694,964</u>	<u>152,388</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,827,528	1,883,637	1,709,206	174,431
0052	Security and Monitoring Services	69,648	69,648	52,808	16,840
0053	Data Processing Services	79,378	79,378	68,597	10,781
	Total Support Services - Nonstudent Based	<u>1,976,554</u>	<u>2,032,663</u>	<u>1,830,611</u>	<u>202,052</u>
Ancillary Services:					
0061	Community Services	12,100	12,100	11,365	735
	Total Ancillary Services	<u>12,100</u>	<u>12,100</u>	<u>11,365</u>	<u>735</u>
Capital Outlay:					
0081	Capital Outlay	--	824,495	655,647	168,848
	Total Capital Outlay	<u>--</u>	<u>824,495</u>	<u>655,647</u>	<u>168,848</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	212,533	376,533	376,316	217
0099	Other Intergovernmental Charges	195,000	216,823	207,032	9,791
	Total Intergovernmental Charges	<u>407,533</u>	<u>593,356</u>	<u>583,348</u>	<u>10,008</u>
6030	Total Expenditures	<u>12,987,152</u>	<u>14,771,246</u>	<u>13,557,707</u>	<u>1,213,539</u>

EDNA INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT G-1

Page 2 of 2

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>(7,000)</u>	<u>(1,768,051)</u>	<u>274,754</u>	<u>2,042,805</u>
Other Financing Sources (Uses):				
7912 Sale of Real or Personal Property	<u>7,000</u>	<u>7,000</u>	<u>4,591</u>	<u>(2,409)</u>
7080 Total Other Financing Sources and (Uses)	<u>7,000</u>	<u>7,000</u>	<u>4,591</u>	<u>(2,409)</u>
1200 Net Change in Fund Balance	--	<u>(1,761,051)</u>	<u>279,345</u>	<u>2,040,396</u>
0100 Fund Balance - Beginning	<u>9,954,236</u>	<u>9,954,236</u>	<u>9,954,236</u>	--
3000 Fund Balance - Ending	<u>\$ 9,954,236</u>	<u>\$ 8,193,185</u>	<u>\$ 10,233,581</u>	<u>\$ 2,040,396</u>

EDNA INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2014

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The District adopts annual operating budgets for the general fund, food service fund and debt service fund in accordance with State law. No other special revenue fund budgets were adopted by the District.



Edna Independent School District

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.



Edna Independent School District

EDNA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2014

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 224,464	\$ 534,866	\$ 759,330
1225	Taxes Receivable, Net	--	47,989	47,989
1240	Due from Other Governments	106,912	84,204	191,116
1000	Total Assets	<u>331,376</u>	<u>667,059</u>	<u>998,435</u>
LIABILITIES:				
Current Liabilities:				
2160	Accrued Wages Payable	\$ 88,179	\$ --	\$ 88,179
2170	Due to Other Funds	28,669	--	28,669
2200	Accrued Expenditures	6,008	--	6,008
2000	Total Liabilities	<u>122,856</u>	<u>--</u>	<u>122,856</u>
DEFERRED INFLOWS OF RESOURCES:				
	Unavailable Revenue - Property Taxes	--	47,989	47,989
2600	Total Deferred Inflows of Resources	<u>--</u>	<u>47,989</u>	<u>47,989</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	43,505	--	43,505
3480	Retirement of Long-Term Debt	--	619,070	619,070
3490	Other Restrictions of Fund Balance	128,925	--	128,925
Committed Fund Balances:				
3545	Other Committed Fund Balance	36,090	--	36,090
3000	Total Fund Balances	<u>208,520</u>	<u>619,070</u>	<u>827,590</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 331,376</u>	<u>\$ 667,059</u>	<u>\$ 998,435</u>



Edna Independent School District

EDNA 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	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 991,030	\$ 1,367,901	\$ 2,358,931
5800 <i>State Program Revenues</i>	146,127	319,702	465,829
5900 <i>Federal Program Revenues</i>	2,045,873	--	2,045,873
5020 Total Revenues	<u>3,183,030</u>	<u>1,687,603</u>	<u>4,870,633</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	1,557,922	--	1,557,922
0012 <i>Instructional Resources and Media Services</i>	2,309	--	2,309
0013 <i>Curriculum and Staff Development</i>	25,838	--	25,838
0021 <i>Instructional Leadership</i>	160,510	--	160,510
0023 <i>School Leadership</i>	6,294	--	6,294
0031 <i>Guidance, Counseling, & Evaluation Services</i>	289,354	--	289,354
0033 <i>Health Services</i>	53,531	--	53,531
0035 <i>Food Service</i>	794,679	--	794,679
0036 <i>Cocurricular/Extracurricular Activities</i>	38,672	--	38,672
0041 <i>General Administration</i>	30,000	--	30,000
0061 <i>Community Services</i>	849	--	849
0071 <i>Principal on Long-term Debt</i>	--	815,000	815,000
0072 <i>Interest on Long-term Debt</i>	--	708,578	708,578
0073 <i>Bond Issuance Costs and Fees</i>	--	1,600	1,600
0093 <i>Payments to Shared Service Arrangements</i>	272,076	--	272,076
6030 Total Expenditures	<u>3,232,034</u>	<u>1,525,178</u>	<u>4,757,212</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(49,004)	162,425	113,421
1200 Net Change in Fund Balances	<u>(49,004)</u>	<u>162,425</u>	<u>113,421</u>
0100 Fund Balances - Beginning	257,524	456,645	714,169
3000 Fund Balances - Ending	<u>\$ 208,520</u>	<u>\$ 619,070</u>	<u>\$ 827,590</u>

EDNA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2014

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	
ASSETS:					
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ 29,573	\$ --
1240	Due from Other Governments	52,705	11,353	13,932	5,550
1000	Total Assets	<u>52,705</u>	<u>11,353</u>	<u>43,505</u>	<u>5,550</u>
LIABILITIES:					
Current Liabilities:					
2160	Accrued Wages Payable	\$ 22,318	\$ 10,341	\$ --	\$ 5,057
2170	Due to Other Funds	28,390	--	--	--
2200	Accrued Expenditures	1,997	1,012	--	493
2000	Total Liabilities	<u>52,705</u>	<u>11,353</u>	<u>--</u>	<u>5,550</u>
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	43,505	--
3490	Other Restrictions of Fund Balance	--	--	--	--
Committed Fund Balances:					
3545	Other Committed Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>43,505</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 52,705</u>	<u>\$ 11,353</u>	<u>\$ 43,505</u>	<u>\$ 5,550</u>

313 IDEA-B Formula	314 IDEA-B Preschool	437 Special Education	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ --	\$ --	\$ 158,801	\$ 36,090	\$ 224,464
21,855	1,517	--	--	106,912
<u>21,855</u>	<u>1,517</u>	<u>158,801</u>	<u>36,090</u>	<u>331,376</u>
\$ 19,718	\$ 1,384	\$ 29,361	\$ --	\$ 88,179
279	--	--	--	28,669
1,858	133	515	--	6,008
<u>21,855</u>	<u>1,517</u>	<u>29,876</u>	<u>--</u>	<u>122,856</u>
--	--	--	--	43,505
--	--	128,925	--	128,925
--	--	--	36,090	36,090
--	--	128,925	36,090	208,520
<u>\$ 21,855</u>	<u>\$ 1,517</u>	<u>\$ 158,801</u>	<u>\$ 36,090</u>	<u>\$ 331,376</u>

EDNA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ 247,810	\$ --
5800 <i>State Program Revenues</i>	--	--	4,165	--
5900 <i>Federal Program Revenues</i>	319,620	214,259	555,506	91,505
5020 Total Revenues	<u>319,620</u>	<u>214,259</u>	<u>807,481</u>	<u>91,505</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	288,880	212,474	--	91,505
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0013 <i>Curriculum and Staff Development</i>	20,611	1,785	--	--
0021 <i>Instructional Leadership</i>	3,310	--	--	--
0023 <i>School Leadership</i>	6,294	--	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	--	--
0033 <i>Health Services</i>	--	--	--	--
0035 <i>Food Service</i>	--	--	794,679	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0041 <i>General Administration</i>	--	--	--	--
0061 <i>Community Services</i>	525	--	--	--
0093 <i>Payments to Shared Service Arrangements</i>	--	--	--	--
6030 Total Expenditures	<u>319,620</u>	<u>214,259</u>	<u>794,679</u>	<u>91,505</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	--	12,802	--
1200 Net Change in Fund Balances	--	--	12,802	--
0100 Fund Balances - Beginning	--	--	30,703	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 43,505</u>	<u>\$ --</u>

263 English Language Acquisition and Enhancement	289 Summer School LEP	313 IDEA-B Formula	314 IDEA-B Preschool	315 IDEA-B Discretionary
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
<u>14,802</u>	<u>1,113</u>	<u>603,073</u>	<u>18,411</u>	<u>109,798</u>
<u>14,802</u>	<u>1,113</u>	<u>603,073</u>	<u>18,411</u>	<u>109,798</u>
14,196	1,113	91,998	18,411	109,798
--	--	--	--	--
606	--	2,836	--	--
--	--	22,098	--	--
--	--	--	--	--
--	--	213,913	--	--
--	--	152	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	272,076	--	--
<u>14,802</u>	<u>1,113</u>	<u>603,073</u>	<u>18,411</u>	<u>109,798</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

EDNA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	385 Supplemental Visually Impaired	410 State Textbook Fund	437 Special Education
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ 662,098
5800 <i>State Program Revenues</i>	3,959	138,003	--
5900 <i>Federal Program Revenues</i>	--	--	117,786
5020 Total Revenues	<u>3,959</u>	<u>138,003</u>	<u>779,884</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	3,959	138,020	547,865
0012 <i>Instructional Resources and Media Services</i>	--	--	--
0013 <i>Curriculum and Staff Development</i>	--	--	--
0021 <i>Instructional Leadership</i>	--	--	135,102
0023 <i>School Leadership</i>	--	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	75,441
0033 <i>Health Services</i>	--	--	53,379
0035 <i>Food Service</i>	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--
0041 <i>General Administration</i>	--	--	30,000
0061 <i>Community Services</i>	--	--	324
0093 <i>Payments to Shared Service Arrangements</i>	--	--	--
6030 Total Expenditures	<u>3,959</u>	<u>138,020</u>	<u>842,111</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	(17)	(62,227)
1200 Net Change in Fund Balances	--	(17)	(62,227)
0100 Fund Balances - Beginning	--	17	191,152
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 128,925</u>

461 Campus Activity Funds	497 Monsanto Grant	498 Formosa Grant	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ 55,122	\$ 10,000	\$ 16,000	\$ 991,030
--	--	--	146,127
--	--	--	2,045,873
<u>55,122</u>	<u>10,000</u>	<u>16,000</u>	<u>3,183,030</u>
3,753	10,015	25,935	1,557,922
2,309	--	--	2,309
--	--	--	25,838
--	--	--	160,510
--	--	--	6,294
--	--	--	289,354
--	--	--	53,531
--	--	--	794,679
38,672	--	--	38,672
--	--	--	30,000
--	--	--	849
--	--	--	272,076
<u>44,734</u>	<u>10,015</u>	<u>25,935</u>	<u>3,232,034</u>
10,388	(15)	(9,935)	(49,004)
<u>10,388</u>	<u>(15)</u>	<u>(9,935)</u>	<u>(49,004)</u>
25,702	15	9,935	257,524
<u>\$ 36,090</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 208,520</u>



Edna Independent School District

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

EDNA INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2014*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2005 and Prior Years	\$ Various	\$ Various	\$ Various
2006	1.50	.05	288,612,581
2007	1.37	.24	447,423,975
2008	1.04	.25	421,552,558
2009	1.04	.23	445,632,520
2010	1.04	.1769	426,885,364
2011	1.04	.1769	403,351,713
2012	1.04	.3382	386,197,141
2013	1.04	.3706	392,285,907
2014 (School Year Under Audit)	1.04	.2696	498,057,498

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/13	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/14
\$ 92,514	\$ --	\$ 3,565	\$ 429	\$ (1,306)	\$ 87,214
13,058	--	1,499	50	(99)	11,410
23,514	--	1,270	222	(103)	21,919
21,634	--	1,333	321	(22)	19,958
45,076	--	4,604	1,018	(8,058)	31,396
60,668	--	7,622	1,297	(11,174)	40,575
76,453	--	25,114	4,272	792	47,859
75,055	--	17,166	5,582	1,007	53,314
156,108	--	53,236	18,971	520	84,421
--	6,522,561	5,083,536	1,317,809	5,996	127,212
<u>\$ 564,080</u>	<u>\$ 6,522,561</u>	<u>\$ 5,198,945</u>	<u>\$ 1,349,971</u>	<u>\$ (12,447)</u>	<u>\$ 525,278</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

EDNA INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT J-2

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 238,373	\$ 247,810	\$ 9,437
5800 <i>State Program Revenues</i>	3,260	4,165	905
5900 <i>Federal Program Revenues</i>	543,515	555,506	11,991
5020 Total Revenues	<u>785,148</u>	<u>807,481</u>	<u>22,333</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	800,148	794,679	5,469
Total Support Services - Student (Pupil)	<u>800,148</u>	<u>794,679</u>	<u>5,469</u>
6030 Total Expenditures	<u>800,148</u>	<u>794,679</u>	<u>5,469</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(15,000)	12,802	27,802
1200 Net Change in Fund Balance	(15,000)	12,802	27,802
0100 Fund Balance - Beginning	30,703	30,703	--
3000 Fund Balance - Ending	<u>\$ 15,703</u>	<u>\$ 43,505</u>	<u>\$ 27,802</u>

EDNA INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 1,316,357	\$ 1,367,901	\$ 51,544
5800 <i>State Program Revenues</i>	209,222	319,702	110,480
5020 <i>Total Revenues</i>	<u>1,525,579</u>	<u>1,687,603</u>	<u>162,024</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	815,000	815,000	--
0072 <i>Interest on Long-Term Debt</i>	708,579	708,578	1
0073 <i>Bond Issuance Costs and Fees</i>	2,000	1,600	400
<i>Total Debt Service</i>	<u>1,525,579</u>	<u>1,525,178</u>	<u>401</u>
6030 <i>Total Expenditures</i>	<u>1,525,579</u>	<u>1,525,178</u>	<u>401</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	--	162,425	162,425
1200 <i>Net Change in Fund Balance</i>	--	162,425	162,425
0100 <i>Fund Balance - Beginning</i>	456,645	456,645	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 456,645</u>	<u>\$ 619,070</u>	<u>\$ 162,425</u>



Edna Independent School District

Reed & Associates, PC

*Certified Public Accountants
1717 8th Street, Suite 5
Bay City, Texas 77414
(979) 245-7361 ~ auditors@swbell.net*

Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards

Board of Trustees
Edna Independent School District
PO Drawer 919
Edna, Texas 77957-0919

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edna Independent School District, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise Edna Independent School District's basic financial statements, and have issued our report thereon dated September 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Edna 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 Edna Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Edna 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 Edna 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.

Respectfully submitted,

Reed & Associates, PC
Bay City, Texas
September 24, 2014

Reed & Associates, PC

Certified Public Accountants

1717 8th Street, Suite 5

Bay City, Texas 77414

(979) 245-7361 ~ auditors@swbell.net

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees
Edna Independent School District
PO Drawer 919
Edna, Texas 77957-0919

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Edna 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 Edna Independent School District's major federal programs for the year ended August 31, 2014. Edna 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 Edna 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 Edna 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 Edna Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Edna 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2014.

Report on Internal Control Over Compliance

Management of Edna 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 Edna 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 Edna 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 considered 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.

Respectfully submitted,

Reed & Associates, PC
Bay City, Texas
September 24, 2014

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	ESEA Title I
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

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

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None		

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

Not Applicable

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

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
Title I, Part A Improving Basic Skills *	84.010	14610101120901	\$ 280,737
Title I 1003(A) Priority and FOC *	84.010	14610112120901000	14,568
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010	15610101120901	24,315
Total CFDA Number 84.010			<u>319,620</u>
<i>SSA IDEA-B Formula *</i>	84.027	146600011209016000	581,497
<i>SSA IDEA-B Formula *</i>	84.027	156600011209016000	21,576
<i>SSA IDEA-B Discretionary *</i>	84.027	146600121209016000	109,798
Total CFDA Number 84.027			<u>712,871</u>
<i>SSA IDEA-B Preschool *</i>	84.173	146610011209016000	16,894
<i>SSA IDEA-B Preschool *</i>	84.173	156610011209016000	1,517
Total CFDA Number 84.173			<u>18,411</u>
<i>Title III Part A English Language Acq & Language Enhance</i>	84.365	14671001120901	14,802
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367	14694501120901	85,955
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367	15671001120901	5,550
Total CFDA Number 84.367			<u>91,505</u>
<i>Summer School LEP</i>	84.369	69551302	1,113
Total Passed Through State Department of Education			<u>1,158,322</u>
Passed Through Edna ISD:			
<i>IDEA-B Formula *</i>	84.027	146600011209016000	202,906
<i>IDEA-B Formula *</i>	84.027	156600011209016000	11,353
Total CFDA Number 84.027			<u>214,259</u>
Total Passed Through Edna ISD			<u>214,259</u>
Total U. S. Department of Education			<u>1,372,581</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	71401301	13,579
School Breakfast Program *	10.553	71401401	106,565
Total CFDA Number 10.553			<u>120,144</u>
National School Lunch Program *	10.555	71301301	43,956
National School Lunch Program *	10.555	71301401	354,167
Total CFDA Number 10.555			<u>398,123</u>
Total Passed Through State Department of Education			<u>518,267</u>
Passed Through State Department of Agriculture:			
Commodity Supplemental Food Program (Non-cash) *	10.565	120901A	37,239
Total U. S. Department of Agriculture			<u>555,506</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,928,087</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

EDNA INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014*

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Edna Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

2. Subrecipients

Of the federal expenditures presented in the schedule, Edna Independent School District provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
IDEA-B Formula	84.027	\$ 272,076

EDNA INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2014*

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ --