

**EANES INDEPENDENT
SCHOOL DISTRICT**

**Annual Financial Report
for the Fiscal Year Ended
June 30, 2016**



EANES INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF BOARD

Eanes Independent School District

Name of School District

Travis

County

227909

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 June 30, 2016 at a meeting of the Board of Trustees of such school district on the 18th day of October, 2016.

Christie B. Bue

Signature of Board Secretary

Colleen Jones

Signature of Board President

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

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Eanes Independent School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eanes Independent School District (the "District"), as of and for the year ended June 30, 2016, 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.

Auditors' Responsibility

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"
This firm is not a CPA firm*

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability, the schedule of District contributions, and notes to the required supplementary information on pages 5 through 13, 52, 53, and 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund statements and schedules, other schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules, other schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, other schedules, 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 October 12, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maxwell Locke + Ritter LLP

Austin, Texas
October 12, 2016

EANES INDEPENDENT SCHOOL DISTRICT MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Eanes Independent School District’s (the “District”) annual financial report presents our discussion and analysis of the District’s financial performance during the year ended June 30, 2016. Please read it in conjunction with the District’s financial statements, which follow this section.

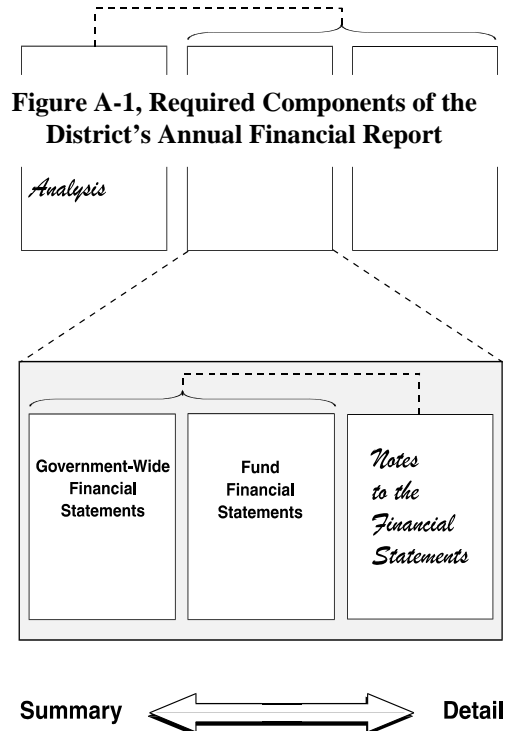
FINANCIAL HIGHLIGHTS

- The District’s total combined net position was \$95.7 million at June 30, 2016, an increase of \$5.6 million from the prior year. This increase during the year ended June 30, 2016 was mainly from the District’s \$3.6 million gain on disposal of capital assets and receipt of a \$2.0 million donation.
- The General Fund reported a fund balance at June 30, 2016 of \$29.1 million which is a \$1.6 million decrease from the prior year. Of total General Fund fund balance, \$26.3 million or 90% is considered unassigned fund balance and may be used to meet the District’s ongoing obligations.
- On July 28, 2015, the District issued \$48,080,000 of Unlimited Tax School Building Bonds, Series 2015A to pay the costs of construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of school buildings in the District and the purchase of new school buses and pay the costs of issuance of the bonds.
- On July 28, 2015, the District issued \$24,005,000 of Unlimited Tax Refunding Bonds, Series 2015B to advance refund \$24,780,000 of previously issued District bonds in order to lower its overall debt service requirements.
- During fiscal year 2016, the District sold two properties known as Baldwin tracts 2 and 3 and the River Hills tract which provided proceeds of approximately \$4,800,000 and \$4,000,000, respectively. After netting these with the cost basis of these properties, the District recognized a gain on these sales on the government-wide financial statements of approximately \$3,800,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*, such as food service.



- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another. Certain information required by the Texas Education Agency and the federal government regarding tax collection and grant expenditures is also presented along with required supplementary information related to the District’s contributions to a cost-sharing pension plan with the Teacher Retirement System of Texas.

Figure A-2. Major Features of the District’s Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District’s (except fiduciary funds) and the Agency’s component units	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses	Instances in which the District is the trustee or agent for someone else’s resources
<i>Required financial statements</i>	• Statement of net position	• Balance sheet	• Statement of net position	• Statement of fiduciary net position
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses & changes in net position • Statement of cash flows	• Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, short-term and long-term	Only assets and deferred outflows expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter; no capital assets included	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, and short term and long-term	All assets and deferred outflows and liabilities and deferred inflows, both short-term and long-term; the Agency’s funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current period's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

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

Fund Financial Statements

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

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

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

The District has the following kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds* - Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- *Fiduciary funds* - The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these resources to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position - The District's combined net position was \$95.7 million as of June 30, 2016 (see Table A-1).

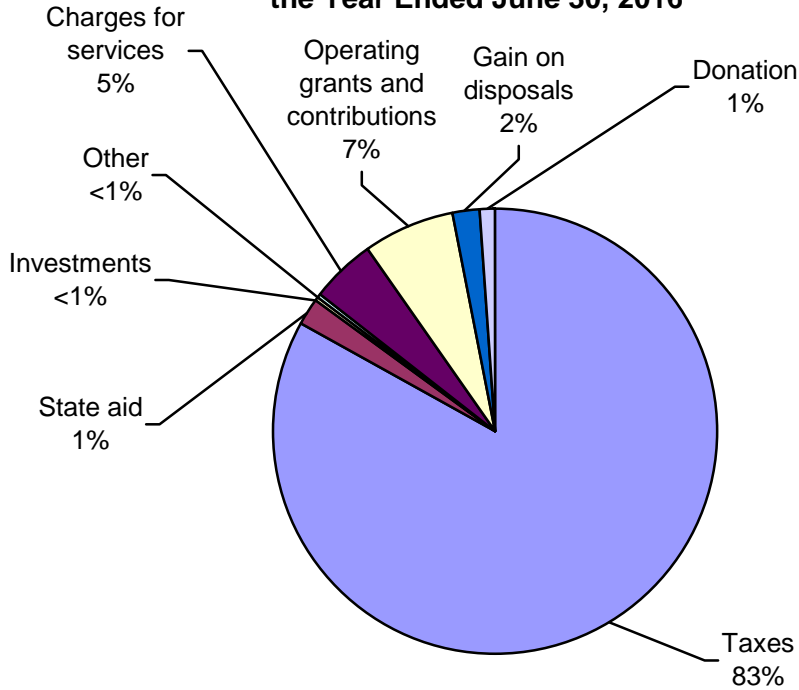
Table A-1
The District's Net Position
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2016	2015	2016	2015	2016	2015	
Current and other assets	\$ 145.5	87.3	\$ 1.8	1.9	\$ 147.3	89.2	65.1%
Capital and non-current	163.8	167.3	1.0	1.1	164.8	168.4	(2.1%)
Total assets	309.3	254.6	2.8	3.0	312.1	257.6	21.2%
Deferred outflows	10.0	2.0	-	-	10.0	2.0	400.0%
Current liabilities	53.9	42.8	0.7	1.1	54.6	43.9	24.4%
Non-current liabilities	170.8	124.2	-	-	170.8	124.2	37.5%
Total liabilities	224.7	167.0	0.7	1.1	225.4	168.1	34.1%
Deferred inflows	1.0	1.4	-	-	1.0	1.4	(28.6%)
Net position:							
Net investment in capital assets	40.4	46.0	1.0	1.1	41.4	47.1	(12.1%)
Restricted	29.0	15.7	-	-	29.0	15.7	84.7%
Unrestricted	24.2	26.5	1.1	0.8	25.3	27.3	(7.3%)
Total net position	\$ 93.6	88.2	\$ 2.1	1.9	\$ 95.7	90.1	6.2%

Net position - Net investment in capital assets reflects the book value of the District's capital assets and is \$41.4 million more than the debt which financed those assets. The \$25.3 million of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in net position - The District's total revenues were \$178.8 million. A significant portion, 83 percent, of the District's revenue comes from taxes (See Figure A-3); 1 percent comes from state aid - formula grants, 5 percent relates to charges for services, and 7 percent comes from operating grants and contributions. Note gain on disposal of capital assets made up 2% of revenue and a large donation received was 1%.

**Figure A-3
Sources of Revenue for
the Year Ended June 30, 2016**



Governmental Activities

Property tax rates have not changed since last year, remaining steady at \$1.2125 per \$100 valuation. However, as a result of increasing appraised values of property within the District's tax jurisdiction, there was an increase of approximately \$12.9 million in tax revenues to approximately \$148.4 million for the year ended June 30, 2016, up from approximately \$135.5 million in 2015. Overall, the District's net position increased by approximately \$5.6 million during the year ended June 30, 2016 compared to an increase of approximately \$3.4 million for the year ended June 30, 2015. Key elements of these changes are as follows: increase in net position for fiscal year ending June 30, 2016 from \$3.6 million gain on disposal of assets and \$2.0 million donation.

Table A-2
The District's Change in Net Position
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2016	2015	2016	2015	2016	2015	
<u>Program revenues:</u>							
Charges for services	\$ 1.1	1.2	\$ 7.6	7.4	\$ 8.7	8.6	1.2%
Operating grants and contributions	12.1	9.6	0.1	0.2	12.2	9.8	24.5%
<u>General revenues:</u>							
Property taxes	148.5	135.5	-	-	148.5	135.5	9.6%
State aid formula grants	2.5	3.2	-	-	2.5	3.2	(21.9%)
Gain on disposal of capital assets	3.6	-	-	-	3.6	-	100.0%
Donation	2.0	-	-	-	2.0	-	100.0%
Investment earnings and other	1.3	0.6	-	-	1.3	0.6	116.7%
Total revenues	171.1	150.1	7.7	7.6	178.8	157.7	13.4%
<u>Expenses:</u>							
Instruction	57.7	50.7	-	-	57.7	50.7	13.8%
Instructional resources and media services	1.3	1.4	-	-	1.3	1.4	(7.1%)
Student support services	16.0	14.9	3.6	3.7	19.6	18.6	5.4%
General administration	3.0	3.1	-	-	3.0	3.1	(3.2%)
Support services	10.6	9.9	-	-	10.6	9.9	7.1%
Community services	0.2	0.2	2.6	2.6	2.8	2.8	0.0%
Interest on long-term debt and other debt service	6.4	4.7	-	-	6.4	4.7	36.2%
Facilities acquisition and construction	0.1	-	-	-	0.1	-	100.0%
Contracted instructional services between schools	70.9	62.4	-	-	70.9	62.4	13.6%
Other	0.8	0.7	-	-	0.8	0.7	14.3%
Total expenses	167.0	148.0	6.2	6.3	173.2	154.3	12.2%
Transfers	1.4	1.7	(1.4)	(1.7)	-	-	0.0%
Change in net position	\$ 5.5	3.8	\$ 0.1	(0.4)	\$ 5.6	3.4	64.7%

The cost of all *governmental* activities for the year ended June 30, 2016 was \$167.0 million. However, the amount that our taxpayers paid for these activities through property taxes was only \$148.5 million. Some of the cost was paid by those who directly benefited from the programs (\$1.1 million) or by grants and contributions (\$12.1 million). The total cost of all programs and services (including business-type activities) was \$173.2 million; 34 percent of these costs were for instructional related services.

Table A-3 presents the cost of each of the District’s largest governmental functions for the years ended June 30, 2016 and 2015, as well as each function’s net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by State revenues as well as local tax dollars.

Table A-3
Net Cost of Selected District Functions
(in millions of dollars)

	Total Cost of Services			Net Cost of Services		
	2016	2015	% Change	2016	2015	% Change
Instruction	\$ 57.7	50.7	13.8%	\$ 49.1	44.1	11.3%
School leadership	3.6	3.5	2.9%	3.3	3.2	3.1%
Guidance, counseling, and evaluation services	3.1	2.9	6.9%	1.7	1.7	0.0%
General administration	3.0	3.1	(3.2%)	2.8	3.0	(6.7%)
Interest on long-term debt and other debt service	6.4	4.7	36.2%	6.4	4.7	36.2%
Facilities maintenance and operations	8.2	7.9	3.8%	0.1	7.6	(98.7%)
Contracted instructional services between schools	70.9	62.4	13.6%	70.9	62.4	13.6%

Business-type Activities

Revenues of the District’s business-type activities increased to \$7.7 million from \$7.6 million. For the Child Nutrition Fund, revenues increased by approximately \$121,000 while expenses decreased by approximately \$75,000, which resulted in a increase in net position of approximately \$127,000 compared to a decrease last year of approximately \$68,000. The remaining business-type revenues decreased by approximately \$2,000 or less than 1 percent and expenses decreased by approximately \$46,000 or 1.8 percent. Coupled with transfers out of approximately \$1.4 million, this resulted in an increase in net position for the remaining business-type funds of approximately \$126,000.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Revenues from governmental funds totaled \$163.3 million, an increase of 8.3 percent from the preceding year. The \$14.0 million increase in local revenues is a result of an increase in property taxes received due to increasing property values of the District. State and federal revenues decreased by \$1.4 million from the preceding year, corresponding to increased local funding. Chapter 41 recapture costs increased as reflected through expenditures in the General Fund.

General Fund Budgetary Highlights

The District revised its General Fund budget over the course of the year. Even with the adjustments, actual expenditures were approximately \$916,000 below final budget amounts for the General Fund. The most significant positive variances resulted from instruction, transportation, general administration, and facilities maintenance and operations. Overall, resources available at the end of the year were approximately \$1,294,000 more than the final budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, the District had \$164.8 million invested in a broad range of capital assets, including land and land improvements, construction in progress, furniture and equipment, and buildings and improvements (See Table A-4). This amount represents a net decrease (including additions and deductions) of \$3.5 million or 2.1 percent compared to last year. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table A-4
The District's Capital Assets
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2016	2015	2016	2015	2016	2015	
Land and land improvements	\$ 21.2	26.2	\$ -	-	\$ 21.2	26.2	(19.1%)
Construction in progress	9.0	1.2	-	-	9.0	1.2	650.0%
Buildings and improvements	232.2	230.7	0.1	0.1	232.3	230.8	0.6%
Furniture and equipment	24.0	23.1	1.7	1.7	25.7	24.8	3.6%
Totals at historical cost	286.4	281.2	1.8	1.8	288.2	283.0	1.8%
Accumulated depreciation	(122.6)	(114.0)	(0.8)	(0.7)	(123.4)	(114.7)	7.6%
Net capital assets	<u>\$ 163.8</u>	<u>167.2</u>	<u>\$ 1.0</u>	<u>1.1</u>	<u>\$ 164.8</u>	<u>168.3</u>	<u>(2.1%)</u>

Long Term Debt

At June 30, 2016, the District had \$171.0 million in bonds and other long-term liabilities outstanding as shown in Table A-5. The District's bonds presently carry "AAA" ratings with underlying ratings as follows: Standard & Poor's "AA+" and Fitch "AA". More detailed information about the District's debt is presented in the notes to the financial statements.

Table A-5
The District's Long-Term Debt
(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2016	2015	
Bonds, premiums, and accretion payable	\$ 170.0	128.7	32.1%
Notes payable	0.5	0.9	(44.4%)
Compensated absences	0.5	0.5	0.0%
Total long-term debt	<u>\$ 171.0</u>	<u>130.1</u>	<u>31.4%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Certified net taxable property value increased for tax year 2016 to \$12.3 billion, an increase of 10.8 percent.
- Estimated recapture of tax revenues through the purchase of attendance credits is \$82.0 million for 2017, up from \$72.0 million in 2016.
- The General Fund budget for operating expenditures per student is approximately \$8,900 per pupil for 2017. Recapture expenditures are estimated at approximately \$10,000 per student.
- The District is anticipating a slight increase in enrollment and average daily attendance for 2017.

These indicators were taken into account when adopting the General Fund budget for 2017. In the original approved budget, estimated revenues for 2017 are approximately \$152.5 million. Expenditures of approximately \$154.3 million are budgeted, including \$82.0 million for recapture. If these original estimates are realized, the District's budgetary fund balance is expected to decrease approximately \$1.8 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Department, 601 Camp Craft Road, Austin, Texas 78746.

BASIC FINANCIAL STATEMENTS

EANES INDEPENDENT SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 119,385,889	1,810,513	121,196,402
Temporary investments	23,366,401	-	23,366,401
Receivables:			
Property taxes - delinquent	3,029,690	-	3,029,690
Allowance for uncollectible taxes	(2,328,753)	-	(2,328,753)
Due from other governments	1,461,439	-	1,461,439
Internal balances	153,488	(153,451)	37
Other receivables	189,431	101,863	291,294
Inventories, at cost	62,193	31,769	93,962
Prepaid items	218,515	9,166	227,681
Capital assets (net of accumulated depreciation):			
Land and land improvements	21,215,260	9,625	21,224,885
Construction in progress	9,046,042	-	9,046,042
Buildings and improvements	127,735,780	120,541	127,856,321
Furniture and equipment	5,835,877	881,559	6,717,436
Total assets	<u>309,371,252</u>	<u>2,811,585</u>	<u>312,182,837</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on bond refundings	1,993,426	-	1,993,426
Pension contributions after measurement date	1,141,823	-	1,141,823
Deferred outflows related to pension liability	6,872,598	-	6,872,598
Total deferred outflows of resources	<u>10,007,847</u>	<u>-</u>	<u>10,007,847</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	4,936,510	10,049	4,946,559
Payroll deductions and withholdings payable	629,263	64,997	694,260
Accrued wages payable	6,000,247	277,630	6,277,877
Due to other governments	24,039,574	-	24,039,574
Unearned revenue	2,238,375	395,108	2,633,483
Bond interest payable	2,780,130	-	2,780,130
Bonds payable	12,890,000	-	12,890,000
Notes payable	390,569	-	390,569
Noncurrent liabilities:			
Bonds payable	156,413,672	-	156,413,672
Accretion payable	760,074	-	760,074
Compensated absences	480,968	-	480,968
Notes payable	108,065	-	108,065
Net pension liability	13,072,609	-	13,072,609
Total liabilities	<u>224,740,056</u>	<u>747,784</u>	<u>225,487,840</u>
DEFERRED INFLOWS OF RESOURCES-			
Deferred inflows related to pension liability	969,792	-	969,792
NET POSITION:			
Net investment in capital assets	40,425,741	1,011,725	41,437,466
Restricted for:			
Debt service	18,214,827	-	18,214,827
Authorized construction	10,789,056	-	10,789,056
Unrestricted	24,239,627	1,052,076	25,291,703
Total net position	<u>\$ 93,669,251</u>	<u>2,063,801</u>	<u>95,733,052</u>

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

EANES INDEPENDENT SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction	\$ 57,735,777	201,821	8,391,051	(49,142,905)	-	(49,142,905)
Instructional resources and media services	1,332,742	-	152,118	(1,180,624)	-	(1,180,624)
Curriculum and staff development	2,305,267	-	516,417	(1,788,850)	-	(1,788,850)
Instructional leadership	1,339,432	-	116,736	(1,222,696)	-	(1,222,696)
School leadership	3,625,492	-	337,404	(3,288,088)	-	(3,288,088)
Guidance, counseling, and evaluation services	3,078,174	-	1,352,743	(1,725,431)	-	(1,725,431)
Social work services	321,536	-	27,754	(293,782)	-	(293,782)
Health services	732,272	-	60,422	(671,850)	-	(671,850)
Student transportation	1,946,012	-	156,093	(1,789,919)	-	(1,789,919)
Food services	233,355	-	7,047	(226,308)	-	(226,308)
Extracurricular activities	2,374,033	925,066	301,094	(1,147,873)	-	(1,147,873)
General administration	3,021,363	-	196,286	(2,825,077)	-	(2,825,077)
Facilities maintenance and operations	8,236,066	-	368,112	(7,867,954)	-	(7,867,954)
Security and monitoring services	504,984	-	23,851	(481,133)	-	(481,133)
Data processing services	1,831,788	-	98,164	(1,733,624)	-	(1,733,624)
Community services	219,860	-	20,497	(199,363)	-	(199,363)
Interest on long-term debt	5,650,561	-	-	(5,650,561)	-	(5,650,561)
Other debt service	737,817	-	-	(737,817)	-	(737,817)
Facilities acquisition and construction	50,443	-	-	(50,443)	-	(50,443)
Contracted instructional services between schools	70,946,648	-	-	(70,946,648)	-	(70,946,648)
Payments to JJAEP	-	-	-	-	-	-
Other intergovernmental charges	779,217	-	-	(779,217)	-	(779,217)
Total governmental activities	\$ 167,002,839	1,126,887	12,125,789	(153,750,163)	-	(153,750,163)
Business-type activities:						
Food services	\$ 3,616,807	3,597,754	146,335	-	127,282	127,282
Community services	2,568,017	3,966,782	-	-	1,398,765	1,398,765
Total business-type activities	\$ 6,184,824	7,564,536	146,335	-	1,526,047	1,526,047
Total primary government	\$ 173,187,663	8,691,423	12,272,124	(153,750,163)	1,526,047	(152,224,116)
General revenues:						
Property taxes, levied for general purposes				\$ 127,325,652	-	127,325,652
Property taxes, levied for debt service				21,123,055	-	21,123,055
State aid formula grants				2,447,712	-	2,447,712
Investment earnings				567,639	-	567,639
Miscellaneous				733,769	-	733,769
Gain on disposal of capital assets				3,607,804	-	3,607,804
Donation				2,000,000	-	2,000,000
Transfers				1,399,999	(1,399,999)	-
Total general revenues and other				159,205,630	(1,399,999)	157,805,631
Change in net position				5,455,467	126,048	5,581,515
Net position - beginning				88,213,784	1,937,753	90,151,537
Net position - ending				\$ 93,669,251	2,063,801	95,733,052

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

EANES INDEPENDENT SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Debt Service Fund	Major Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 42,456,784	20,894,628	38,118,891	17,698,103	119,168,406
Temporary investments	18,366,401	-	5,000,000	-	23,366,401
Receivables:					
Property taxes - delinquent	2,598,960	430,730	-	-	3,029,690
Allowance for uncollectible taxes	(1,998,352)	(330,401)	-	-	(2,328,753)
Due from other governments	502,938	-	-	958,501	1,461,439
Due from other funds	504,092	-	-	928	505,020
Other receivables	181,311	-	8,069	51	189,431
Inventories, at cost	62,193	-	-	-	62,193
Prepaid items	218,515	-	-	-	218,515
Total assets	<u>\$ 62,892,842</u>	<u>20,994,957</u>	<u>43,126,960</u>	<u>18,657,583</u>	<u>145,672,342</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 462,320	-	3,062,774	1,411,364	4,936,458
Payroll deductions and withholdings payable	607,558	-	-	21,705	629,263
Accrued wages payable	5,839,743	-	-	160,504	6,000,247
Due to other governments	24,039,574	-	-	-	24,039,574
Due to other funds	928	-	-	350,604	351,532
Unearned revenue	2,238,375	-	-	-	2,238,375
Total liabilities	<u>33,188,498</u>	<u>-</u>	<u>3,062,774</u>	<u>1,944,177</u>	<u>38,195,449</u>
Deferred inflows of resources-					
Deferred revenue - property taxes	600,608	100,329	-	-	700,937
Fund balances:					
Nonspendable:					
Inventories	62,193	-	-	-	62,193
Prepaid items	218,515	-	-	-	218,515
Restricted for:					
Debt service	-	20,894,628	-	-	20,894,628
Authorized construction	-	-	40,064,186	14,627,898	54,692,084
Committed to-					
Campus activities	-	-	-	542,726	542,726
Assigned to:					
2016-17 budget deficit	1,836,608	-	-	-	1,836,608
Compensated absences	480,968	-	-	-	480,968
Encumbered for 2016-17	232,257	-	-	-	232,257
Special revenue funds	-	-	-	1,542,782	1,542,782
Unassigned	26,273,195	-	-	-	26,273,195
Total fund balances	<u>29,103,736</u>	<u>20,894,628</u>	<u>40,064,186</u>	<u>16,713,406</u>	<u>106,775,956</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 62,892,842</u>	<u>20,994,957</u>	<u>43,126,960</u>	<u>18,657,583</u>	

Amounts reported for *governmental activities* in the statement of net position are different because

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	163,832,959
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	700,937
The assets and liabilities of the Internal Service Fund are distributed in the statement of activities but are not considered part of the governmental funds	217,431
The following liabilities and deferred inflows and outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, including premiums	(169,303,672)
Less: Deferred charges on bond refundings	1,993,426
Interest payable	(2,780,130)
Accretion payable	(760,074)
Notes payable	(498,634)
Compensated absences	(480,968)
Net pension liability	(13,072,609)
Pension contribution after measurement date	1,141,823
Deferred outflows related to pension liability	6,872,598
Deferred inflows related to pension liability	(969,792)
Net position of governmental activities	<u>\$ 93,669,251</u>

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

EANES INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	General Fund	Debt Service Fund	Major Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Local and intermediate sources	\$ 130,782,064	21,163,082	170,158	2,188,183	154,303,487
State program revenues	5,789,927	166,983	-	1,029,289	6,986,199
Federal program revenues	-	-	-	2,033,694	2,033,694
Total revenues	<u>136,571,991</u>	<u>21,330,065</u>	<u>170,158</u>	<u>5,251,166</u>	<u>163,323,380</u>
EXPENDITURES:					
Current:					
Instruction	41,590,717	-	4,561,665	2,327,625	48,480,007
Instructional resources and media services	884,417	-	-	80,430	964,847
Curriculum and staff development	1,855,247	-	-	363,660	2,218,907
Instructional leadership	1,237,440	-	-	9,336	1,246,776
School leadership	3,268,449	-	-	51,931	3,320,380
Guidance, counseling, and evaluation services	1,733,527	-	-	1,205,530	2,939,057
Social work services	305,846	-	-	-	305,846
Health services	669,788	-	-	3,937	673,725
Student transportation	1,795,598	-	379,145	-	2,174,743
Food services	77,662	-	-	-	77,662
Extracurricular activities	2,186,509	-	-	274,323	2,460,832
General administration	2,809,992	-	-	5,474	2,815,466
Facilities maintenance and operations	7,579,178	-	100,387	162,855	7,842,420
Security and monitoring services	470,067	-	77,430	28,209	575,706
Data processing services	1,530,962	-	146,946	342,513	2,020,421
Community services	207,513	-	-	1,743	209,256
Debt service:					
Principal on long-term debt	-	12,240,000	-	503,495	12,743,495
Interest on long-term debt	-	5,518,308	-	-	5,518,308
Other debt service expenditures	-	277,864	459,953	-	737,817
Facilities acquisition and construction	-	-	7,057,162	2,297,414	9,354,576
Intergovernmental:					
Contracted instructional services between schools	70,946,648	-	-	-	70,946,648
Other intergovernmental charges	779,217	-	-	-	779,217
Total expenditures	<u>139,928,777</u>	<u>18,036,172</u>	<u>12,782,688</u>	<u>7,658,475</u>	<u>178,406,112</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,356,786)</u>	<u>3,293,893</u>	<u>(12,612,530)</u>	<u>(2,407,309)</u>	<u>(15,082,732)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds on sale of capital assets	4,061,327	-	-	4,805,469	8,866,796
Donation	2,000,000	-	-	-	2,000,000
Payment to refunded bond escrow agent	-	(26,353,724)	-	-	(26,353,724)
Issuance of refunding bonds	-	24,005,000	-	-	24,005,000
Issuance of bonds	-	-	48,080,000	-	48,080,000
Premium on sale of bonds	-	2,616,719	4,881,537	-	7,498,256
Insurance recoveries	12,051	-	-	-	12,051
Issuance of notes payable	-	-	-	52,943	52,943
Refund of social security overpayment	267,044	-	-	-	267,044
Transfers in	1,399,999	1,584	-	5,979,915	7,381,498
Transfers out	(5,979,915)	-	(1,584)	-	(5,981,499)
Total other financing sources, net	<u>1,760,506</u>	<u>269,579</u>	<u>52,959,953</u>	<u>10,838,327</u>	<u>65,828,365</u>
Net change in fund balances	(1,596,280)	3,563,472	40,347,423	8,431,018	50,745,633
Fund balances--beginning	30,700,016	17,331,156	(283,237)	8,282,388	56,030,323
Fund balances--ending	<u>\$ 29,103,736</u>	<u>20,894,628</u>	<u>40,064,186</u>	<u>16,713,406</u>	<u>106,775,956</u>

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

EANES INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2016

Net change in fund balances - total governmental funds	\$ 50,745,633
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	10,697,546
Depreciation expense	(8,871,734)
Disposal of capital assets	(5,258,992)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	35,009
The revenues and expenses of the Internal Service Fund are distributed in the statement of net activities and it is not considered a governmental fund. The difference is the amount of operating loss.	
	(25,470)
Bond and note payable proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Repayment of bond principal	12,240,000
Proceeds from bonds, including premiums	(79,583,256)
Payment to refunded bond escrow agent	26,353,724
Proceeds from notes payable	(52,943)
Repayment of note payable principal	503,495
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in bond interest payable	(1,046,521)
Change in accretion payable	(22,761)
Amortization of deferred charges on bond refundings	(305,383)
Amortization of bond premiums	1,242,412
Change in compensated absences	555
Pension contributions made before the measurement date	154,013
Pension contributions made after the measurement date	1,141,823
Adjustment for ending deferred inflows and outflows related to net pension liability	(2,491,683)
Change in net position of governmental activities	<u>\$ 5,455,467</u>

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

EANES INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Local and intermediate sources	\$ 130,826,543	130,494,836	130,782,064	287,228
State program revenues	6,274,584	5,799,117	5,789,927	(9,190)
Total revenues	<u>137,101,127</u>	<u>136,293,953</u>	<u>136,571,991</u>	<u>278,038</u>
EXPENDITURES:				
Current:				
Instruction	41,061,381	41,827,590	41,590,717	236,873
Instructional resources and media services	883,194	899,062	884,417	14,645
Curriculum and staff development	1,600,541	1,885,150	1,855,247	29,903
Instructional leadership	1,080,933	1,259,533	1,237,440	22,093
School leadership	3,235,618	3,279,781	3,268,449	11,332
Guidance, counseling, and evaluation services	1,732,292	1,756,292	1,733,527	22,765
Social work services	312,518	309,645	305,846	3,799
Health services	643,873	687,401	669,788	17,613
Student transportation	1,797,038	1,889,804	1,795,598	94,206
Food services	82,145	79,140	77,662	1,478
Extracurricular activities	2,095,876	2,226,138	2,186,509	39,629
General administration	2,920,835	2,929,842	2,809,992	119,850
Facilities maintenance and operations	7,803,591	7,770,914	7,579,178	191,736
Security and monitoring services	477,403	511,596	470,067	41,529
Data processing services	1,592,813	1,547,048	1,530,962	16,086
Community services	182,995	207,768	207,513	255
Intergovernmental:				
Contracted instructional services between schools	71,960,321	70,987,338	70,946,648	40,690
Other intergovernmental charges	790,500	790,500	779,217	11,283
Total expenditures	<u>140,253,867</u>	<u>140,844,542</u>	<u>139,928,777</u>	<u>915,765</u>
Deficiency of revenues under expenditures	<u>(3,152,740)</u>	<u>(4,550,589)</u>	<u>(3,356,786)</u>	<u>1,193,803</u>
OTHER FINANCING SOURCES (USES):				
Proceeds on sale of capital assets	-	3,979,916	4,061,327	81,411
Donation	-	2,000,000	2,000,000	-
Insurance recoveries	-	-	12,051	12,051
Refund of social security overpayment	-	260,000	267,044	7,044
Transfers in	1,400,000	1,400,000	1,399,999	(1)
Transfers out	-	(5,979,916)	(5,979,915)	1
Total other financing sources, net	<u>1,400,000</u>	<u>1,660,000</u>	<u>1,760,506</u>	<u>100,506</u>
Net change in fund balance	(1,752,740)	(2,890,589)	(1,596,280)	1,294,309
Fund balance--beginning	<u>30,700,016</u>	<u>30,700,016</u>	<u>30,700,016</u>	<u>-</u>
Fund balance--ending	<u>\$ 28,947,276</u>	<u>27,809,427</u>	<u>29,103,736</u>	<u>1,294,309</u>

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

EANES INDEPENDENT SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-type Activities- Nonmajor Enterprise Funds	Governmental Activities- Internal Service Fund	Total Proprietary Funds
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 1,810,513	217,483	2,027,996
Other receivables	101,863	-	101,863
Inventories, at cost	31,769	-	31,769
Prepaid items	9,166	-	9,166
Total current assets	<u>1,953,311</u>	<u>217,483</u>	<u>2,170,794</u>
Noncurrent assets-			
Capital assets:			
Land improvements	9,625	-	9,625
Buildings and improvements	138,191	-	138,191
Furniture and equipment	1,676,792	-	1,676,792
Accumulated depreciation	(812,883)	-	(812,883)
Total noncurrent assets	<u>1,011,725</u>	<u>-</u>	<u>1,011,725</u>
Total assets	<u>2,965,036</u>	<u>217,483</u>	<u>3,182,519</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	10,049	52	10,101
Payroll deductions and withholdings payable	64,997	-	64,997
Accrued wages payable	277,630	-	277,630
Due to other funds	153,451	-	153,451
Unearned revenue	395,108	-	395,108
Total liabilities	<u>901,235</u>	<u>52</u>	<u>901,287</u>
NET POSITION:			
Net investment in capital assets	1,011,725	-	1,011,725
Unrestricted	1,052,076	217,431	1,269,507
Total net position	<u>\$ 2,063,801</u>	<u>217,431</u>	<u>2,281,232</u>

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

EANES INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2016

	Business-type Activities- Nonmajor Enterprise Funds	Governmental Activities- Internal Service Fund	Total Proprietary Funds
Operating revenues-			
Charges for services	\$ 7,564,536	152,146	7,716,682
Operating expenses:			
Payroll costs	3,606,829	-	3,606,829
Professional and contracted services	418,687	121,106	539,793
Supplies and materials	1,888,683	53,201	1,941,884
Other operating	179,334	3,309	182,643
Depreciation	91,291	-	91,291
Total operating expenses	6,184,824	177,616	6,362,440
Operating income (loss)	1,379,712	(25,470)	1,354,242
Nonoperating revenues:			
State program revenues	4,881	-	4,881
Federal program revenues	141,454	-	141,454
Total nonoperating revenues	146,335	-	146,335
Income (loss) before transfer	1,526,047	(25,470)	1,500,577
Transfer out	(1,399,999)	-	(1,399,999)
Change in net position	126,048	(25,470)	100,578
Total net position--beginning	1,937,753	242,901	2,180,654
Total net position--ending	\$ 2,063,801	217,431	2,281,232

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

EANES INDEPENDENT SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

	Business-type Activities- Nonmajor Enterprise Funds	Governmental Activities- Internal Service Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers/contributors/students	\$ 7,532,955	152,146	7,685,101
Payments to suppliers	(3,027,796)	(177,564)	(3,205,360)
Payments to employees	(3,405,668)	-	(3,405,668)
Net cash provided by (used in) operating activities	<u>1,099,491</u>	<u>(25,418)</u>	<u>1,074,073</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers to other funds	(1,399,999)	-	(1,399,999)
State program revenues	4,881	-	4,881
Federal program revenues	81,644	-	81,644
Net cash used in noncapital financing activities	<u>(1,313,474)</u>	<u>-</u>	<u>(1,313,474)</u>
Net decrease in cash and cash equivalents	(213,983)	(25,418)	(239,401)
Cash and cash equivalents - beginning of the period	2,024,496	242,901	2,267,397
Cash and cash equivalents - end of the period	<u>\$ 1,810,513</u>	<u>217,483</u>	<u>2,027,996</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 1,379,712	(25,470)	1,354,242
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	91,291	-	91,291
Federal commodities received	59,810	-	59,810
Decrease in other receivables	212,029	-	212,029
Increase in inventory	(884)	-	(884)
Decrease in prepaid items	1,255	-	1,255
Increase (decrease) in accounts payable and cash overdraft	(329,591)	52	(329,539)
Increase in payroll deductions and withholdings payable	47,809	-	47,809
Increase in accrued wages payable	153,352	-	153,352
Decrease in due to other funds	(271,682)	-	(271,682)
Decrease in unearned revenue	(243,610)	-	(243,610)
Net cash provided by (used in) operating activities	<u>\$ 1,099,491</u>	<u>(25,418)</u>	<u>1,074,073</u>

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

EANES INDEPENDENT SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose Trust	Agency Funds
ASSETS:		
Cash and cash equivalents	\$ 44,571	676,282
Other receivables	-	37
	\$ 44,571	676,319
LIABILITIES:		
Due to student groups	\$ -	672,710
Due to other governments	-	3,572
Due to other funds	-	37
	-	676,319
NET POSITION-		
Held in trust for private purposes	\$ 44,571	

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

EANES INDEPENDENT SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2016

	Private Purpose Trust
ADDITIONS-	
Investment income	\$ 95
DEDUCTIONS-	
Scholarships provided	-
Change in net position	95
Net position--beginning of year	44,476
Net position--end of the year	\$ 44,571

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

EANES INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

This report includes those activities, organizations and functions which are related to the Eanes Independent School District (the "District") and which are controlled by or dependent upon the District's governing body, the Board of School Trustees (the "Board"). The Board, a seven member group, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental "reporting entity" as defined by Statement No. 14 of the Governmental Accounting Standards Board ("GASB"), since Board members are elected by the public and have decision making authority. There are no component units included within the reporting entity.

The accounting policies of the District substantially comply with the rules prescribed by the Texas Education Agency's (the "TEA") Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Government-Wide and Fund 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 District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Agency funds have no measurement focus. 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. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 sixty 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 are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues and interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balances are considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

The Major Capital Projects Fund includes the proceeds from the Series 2015A Unlimited Tax School Building Bonds to be used for authorized construction and other capital asset acquisitions.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds. The District uses project accounting to maintain integrity for the various sources of funds.

Capital Projects Funds includes the proceeds from sales of bonds and other revenues to be used for authorized construction and other capital asset acquisitions.

Enterprise Funds are proprietary funds used to account for the operations of the District's child nutrition program, its community education program, its child care services program, and its facilities rental program.

The Internal Service Fund is a proprietary fund and is used to account for the District's self insurance related to computer equipment.

The Private Purpose Trust Fund is a fiduciary trust fund and is used to account for the principal and income that benefit individuals in the form of scholarships.

Agency Funds are unbudgeted funds and are used to account for activities of student groups and other types of activities requiring clearing accounts. These funds have no equity, assets are equal to liabilities, and they do not include revenues and expenditures for general operations of the District.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the District's internal service fund are from fees related to insurance for computer equipment. Operating expenses include professional and contracted services and supplies and materials.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgetary Information

Budgets are prepared annually for the General Fund, the Debt Service Fund, and the Child Nutrition Fund (an Enterprise Fund) on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget was prepared by June 20th and is adopted by the Board at a public meeting after ten days public notice of the meeting had been given. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was amended by the Board on a monthly basis as needed.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30th, and encumbrances outstanding at that time are to be either canceled or provided for in the subsequent year's budget. At June 30, 2016, encumbrances outstanding of approximately \$232,000 were provided for in the subsequent year's General Fund budget and are included in assigned fund balance.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Investments - Temporary investments throughout the year consisted of investments in external investment pools, certificates of deposit, municipal bonds, and federal agency coupon securities, which are recognized at fair value or amortized cost. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policy. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Inventories - Inventories in the General Fund consist of expendable supplies held for consumption. Inventories are charged to expenditures when consumed. Supply and furniture and equipment inventory are recorded at cost (FIFO method) and are offset by a fund balance reserve which indicates that they do not represent "available expendable resources." Inventories in the Enterprise Fund consist of commodities, purchased food and supplies. Purchased food and supplies are recorded at cost (FIFO method) and charged to expense when consumed. The commodity portion of inventory is valued at estimated market values supplied by the Texas Department of Human Services.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed.

Capital Assets - Capital assets, which include land and land improvements, construction in progress, buildings and improvements, and furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased, or at acquisition value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets (other than land and land improvements and construction in progress) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - ten to fifty years, furniture and equipment - three to fifteen years.

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

Accumulated Sick Leave Liability - The State of Texas (the “State”) has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district’s local Board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the state minimum. The District’s policy is to reimburse teachers, upon resignation, who have been employed in the District for ten or more years for the number of unused local sick days equal to the number of remaining State days credited to the teacher since entering the District. Reimbursement is made at the daily rate of pay for a full-time substitute. The District’s liability for accrued compensated absences as of June 30, 2016 was \$480,968 and is included in the government-wide financial statements. A liability is reported in governmental funds only if they matured, for example, as a result of employee resignations and retirements. Compensated absences are generally liquidated by the General Fund.

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

Deferred Outflows and Deferred Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District’s net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District’s acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 7 and 13 for additional information on deferred inflows and outflows of resources.

Fund Balance - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 11 for additional information on those fund balance classifications.

Statement of Cash Flows - For purposes of the statement of cash flows of the Proprietary Funds, cash and cash equivalents include certificates of deposit and other short-term investments with original stated maturities of less than ninety days.

Fair Value Measurements - The District adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity
- Level 3 are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Implementation of GASB Statement No. 72 did not have a significant impact on the District's financial statements for the year ended June 30, 2016.

Recently Issued Accounting Pronouncements

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. GASB Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. GASB Statement No. 75 also identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB Statement No. 75 addresses the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit other postemployment benefits plan and for employers whose employees are provided with defined contribution other postemployment benefits. Management is evaluating the effects that the full implementation of GASB Statement No. 75 will have on its financial statements for the year ended June 30, 2018.

2. DEPOSITS AND INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are preservation and safety of principal, liquidity, and yield.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Banker's acceptance
- Commercial paper
- Money market funds and no-load mutual funds
- A guaranteed investment contract as an investment vehicle for bond proceeds provided it meets the criteria and eligibility requirements.
- Public funds investment pools

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. Therefore the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2016, the carrying amount of the District's deposits was \$12,049,397 and the bank balance was \$12,641,366.

The District's deposits with financial institutions at June 30, 2016 and during the year ended June 30, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and the Texas Education Agency maintains copies of all safekeeping receipts in the name of the District.

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

- Name of depository bank: Wells Fargo.
- Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$101,030,178.
- Largest cash, savings and time deposit combined account balance amounted to \$86,242,449 and occurred during the month of July 2015.
- Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

Investments held at June 30, 2016, consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local Governmental Investment Pools:			
TexPool	\$ 267,595	1	AAAm
Lone Star	109,560,559	1	AAA
TexasDAILY	39,705	1	AAAm
Certificates of deposit	11,880,000	240	N/A
Municipal bonds	2,486,136	84	N/A
Federal agency coupon securities (Freddie Mac)	9,000,264	1,016	N/A
Total investments	<u>\$ 133,234,259</u>		

The District had investments in three external local governmental investment pools at June 30, 2016, consisting of the Texas Local Governmental Investment Pool (“TexPool”), Lone Star Investment Pool (“Lone Star”), and TexasDAILY Local Government Investment Pool (“TexasDAILY”). Although TexPool, TexasDAILY and Lone Star are not registered with the SEC as investment companies, they operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. These investments are stated at amortized cost, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool’s investment policy, which is made up equally of participants and non-participants who do not have a business relationship with TexPool. Federated Investors manages daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

TexasDAILY is a portfolio of TexasTERM Local Government Investment Pool (“TexasTERM”) and provides daily access to funds. TexasTERM is organized in conformity with the Public Funds Investment Act. TexasTERM provides for a fixed rate, fixed-term investment for a period of 60 days to one year. TexasTERM is overseen by an advisory board composed of participants and non-participant members elected by the participant shareholders of TexasTERM. The advisory board is responsible for the overall management of TexasTERM, including formulation and implementation of its investment and operating policies. In addition, the advisory board members select and oversee the activities of the investment advisor and custodian of TexasTERM and monitor investment performance and the method of valuing the shares. TexasTERM is a floating net assets value fund, which is a non-2a7 fund. It is a fundamental objective of TexasTERM to assure the return of principal and interest at the date planned for redemption of shares; however the net asset value of shares may fluctuate prior to the planned redemption date.

Lone Star is governed by an eleven member board of trustees, in which all of the members are also participants in Lone Star. The board meets quarterly to review operations, adopt or make changes to the investment policy, review financial activity and approve contractor agreements. Lone Star also has an advisory board consisting of participants and non-participants. RBC Capital Markets, Inc. is an independent consultant for Lone Star that reviews daily operations, analyzes all investment transactions for compliance with the Public Funds Investment Act, and performs monitoring activities. The Bank of New York provides custody and valuation services for Lone Star. American Beacon Advisors and Standish Mellon provide other investment management services. Lone Star’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

The District invests excess funds in certificates of deposit, municipal securities and agency coupon securities. Brokered certificates of deposit, municipal securities and agency coupon securities are selected through competitive offers from the District’s approved brokers. Purchases are made through best price execution, while considering which securities are most suitable to fit the District’s portfolio needs and in compliance with the District’s investment policy.

Municipal securities and federal agency coupon securities are valued using Level 2 inputs that are based on market data obtained from independent sources. The investments are reported by the District at fair value in accordance with GASB Statement No. 72. Certificates of deposit are reported by the District at amortized cost under GASB Statement No. 31.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At June 30, 2016, investments were included in local governmental investment pools, certificates of deposit, municipal bonds, and U.S. agency securities with ratings from Standard & Poor’s in compliance with the District’s investment policy.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the District’s name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty’s trust department or agent but not in the District’s name. At June 30, 2016, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. government. At June 30, 2016, the District had 7% of its investment portfolio invested in federal agency coupon securities and 9% in certificates of deposit.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the District's investment policy requires that the total portfolio of the District will not exceed the weighted average maturity of 365 days. The weighted average maturity for the total portfolio was 75 days. The District considers the holdings in the local governmental investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. The certificates of deposit, municipal bonds, and federal agency coupon securities had a weighted average maturity of 240 days, 84 days, and 1,016 days, respectively, which is in compliance with the District's investment policy. Term limits on individual maturities did not exceed three years from the purchase date. At June 30, 2016, the District was not exposed to significant interest rate risk.

3. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the "Code") which established a county-wide appraisal district and an appraisal review board in each county in the State. The Travis Central Appraisal District (the "Appraisal District") is responsible for the recording and appraisal of all property in the District. Under the Code, the Board sets the tax rates on property and the Travis County Tax Office provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every three years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 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 and penalties and interest that are ultimately imposed. The assessed value at January 1, 2015, upon which the October 2015 levy was based, was \$11,142,016,675. The District levied taxes based on a combined tax rate of \$1.2125 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

In May 1993, the Texas Legislature passed Senate Bill 7. Senate Bill 7 significantly changed certain aspects of the school finance system relative to accountability, teacher appraisal, career ladder, funding allotments, district local share, distribution of Foundation School Funds, tax limitations and rollback tax provisions. Funding equalization for school districts is a major component of the bill. Districts with wealth per student in excess of \$319,500 are required to take action to bring their wealth down to the equalized State level. During the year ended June 30, 2016, the District was required to pay \$70,946,648 to purchase attendance credits to equalize its wealth per weighted average daily attendance ("WADA"). This purchase of WADA was incorporated into the District's budget. Portion of this purchase of WADA was made to the TEA during the year and the remaining portion to be paid to the TEA at June 30, 2016 was included in the due to other governments total on the balance sheet (see Note 4).

In 2005, the Texas Legislature passed House Bill 1. House Bill 1 changed the way school districts receive revenue from both state and local sources. Districts that had reached the tax rate cap of \$1.50 per \$100 of assessed value for maintenance and operations were compressed to \$1.33 in 2006 and \$1.00 in 2007. Local school boards retained the option of adding up to four cents to the local compressed rate without voter approval, and the District has exercised that option since 2007.

4. DUE FROM/TO OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. The District is also required to make payments to the State to equalize its WADA (see Note 3). These amounts are reported in the basic financial statements as Due from/to Other Governments and are summarized below as of June 30, 2016.

	General Fund	Nonmajor Governmental Funds	Total
Per Capita entitlement	\$ 485,124	-	485,124
Federal and state grants	-	958,501	958,501
Other	17,814	-	17,814
Total due from other governments	<u>\$ 502,938</u>	<u>958,501</u>	<u>1,461,439</u>
School Foundation entitlement	\$ 3,065,739	-	3,065,739
WADA liability	20,973,835	-	20,973,835
Total due to other governments	<u>\$ 24,039,574</u>	<u>-</u>	<u>24,039,574</u>

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances as of June 30, 2016, was as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Special Revenue	\$ 350,604
General	Nonmajor Enterprise	153,451
General	Fiduciary	37
Nonmajor Capital Projects	General	928
Total		<u>\$ 505,020</u>

During the year, the District transferred \$5,979,915 from the General Fund to two nonmajor capital projects funds to set aside proceeds received from one land sale and a donation for future construction and other capital asset acquisitions. During the year, the District also transferred \$1,399,999 from three nonmajor enterprise funds to the General Fund to reimburse the General Fund for administrative and payroll costs. The Major Capital Projects Fund transferred \$1,584 to the Debt Service Fund which represented excess proceeds from the Series 2015A bond issuance to go towards future interest payments.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land and land improvements	\$ 26,210,629	23,982	(5,019,351)	-	21,215,260
Construction in progress	1,175,543	8,061,781	-	(191,282)	9,046,042
Total capital assets, not being depreciated	27,386,172	8,085,763	(5,019,351)	(191,282)	30,261,302
Capital assets, being depreciated:					
Buildings and improvements	230,704,493	1,359,665	-	168,886	232,233,044
Furniture and equipment	23,134,388	1,252,118	(422,057)	22,396	23,986,845
Total capital assets being depreciated	253,838,881	2,611,783	(422,057)	191,282	256,219,889

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Less accumulated depreciation for:					
Buildings and improvements	(97,600,154)	(6,897,110)	-	-	(104,497,264)
Furniture and equipment	<u>(16,358,760)</u>	<u>(1,974,624)</u>	<u>182,416</u>	-	<u>(18,150,968)</u>
Total accumulated depreciation	<u>(113,958,914)</u>	<u>(8,871,734)</u>	<u>182,416</u>	-	<u>(122,648,232)</u>
Total capital assets, being depreciated, net	<u>139,879,967</u>	<u>(6,259,951)</u>	<u>(239,641)</u>	<u>191,282</u>	<u>133,571,657</u>
Governmental activities capital assets, net	<u>\$167,266,139</u>	<u>1,825,812</u>	<u>(5,258,992)</u>	-	<u>163,832,959</u>
Business-type activities:					
Land and land improvements	\$ 9,625	-	-	-	9,625
Buildings and improvements	138,191	-	-	-	138,191
Furniture and equipment	1,676,792	-	-	-	1,676,792
Less accumulated depreciation for:					
Buildings and improvements	(17,650)	(19,691)	-	-	(37,341)
Furniture and equipment	<u>(703,942)</u>	<u>(71,600)</u>	-	-	<u>(775,542)</u>
Total accumulated depreciation	<u>(721,592)</u>	<u>(91,291)</u>	-	-	<u>(812,883)</u>
Business-type activities capital assets, net	<u>\$ 1,103,016</u>	<u>(91,291)</u>	-	-	<u>1,011,725</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:

Instruction	\$ 7,560,490
Instructional resources and media services	327,367
Instructional leadership	31,938
School leadership	143,722
Guidance, counseling, and evaluation services	55,892
Health services	26,615
Student transportation	28,390
Food services	151,707
Extracurricular activities	23,067
General administration	94,928
Facilities maintenance and operations	<u>427,618</u>
Total depreciation expense - governmental activities	<u>\$ 8,871,734</u>

Business-type activities-

Food services	<u>\$ 91,291</u>
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7. DEFERRED CHARGES ON BOND REFUNDINGS

The following is a summary of deferred charges on bond refundings for the year ended June 30, 2016:

Deferred charges on bond refundings - June 30, 2015	\$ 725,085
Additions from Series 2015B refunding	1,573,724
Retirements from Series 2015B refunding	(224,818)
Retirements from Series 2013 refunding	<u>(80,565)</u>
Deferred charges on bond refundings - June 30, 2016	<u>\$ 1,993,426</u>

8. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

	Beginning Balance	Additions	Retirements	Ending Balance
General obligation bonds	\$120,895,000	72,085,000	(37,020,000)	155,960,000
Premiums on bonds	7,087,828	7,498,256	(1,242,412)	13,343,672
Accretion payable	737,313	22,761	-	760,074
Notes payable	949,186	52,943	(503,495)	498,634
Compensated absences	481,523	-	(555)	480,968
Total	<u>\$130,150,850</u>	<u>79,658,960</u>	<u>(38,766,462)</u>	<u>171,043,348</u>

Bonded debt consisted of the following at June 30, 2016:

General Obligation Bonds:

Series	Date of Issue	Amounts of Original Issue	Maturity Date	Interest Rate	Outstanding at 6-30-16	Current Portion
2006 Refunding	04-28-06	\$ 28,070,000	2017	3.79- 5.00%	\$ 3,890,000	\$ 3,890,000
2006 School Building	09-07-06	53,000,000	2017	4.125- 4.50%	1,980,000	1,980,000
2009 Refunding	11-23-09	19,405,000	2022	4.00%	16,515,000	1,355,000
2011 School Building and Refunding	07-26-11	71,035,000	2031	1.875- 5.25%	53,750,000	3,270,000
2013 Refunding	06-27-13	8,590,000	2025	2.00- 3.00%	8,285,000	75,000
2015A School Building	07-28-15	48,080,000	2036	2.00- 5.00%	48,080,000	2,320,000
2015B Refunding	07-28-15	<u>24,005,000</u>	2023	2.00- 5.00%	<u>23,460,000</u>	-
Total		<u>\$252,185,000</u>			<u>\$155,960,000</u>	<u>\$ 12,890,000</u>

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally limits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District’s tax bond indebtedness exceeds \$0.50 per \$100 of assessed valuation of taxable property within the District. The District currently has a debt service tax rate of \$0.1725.

On July 28, 2015, the District issued \$48,080,000 of Unlimited Tax School Building Bonds, Series 2015A to pay the costs of construction, acquisition, rehabilitation, renovation, expansion, improvement and equipment of school buildings in the District and the purchase of new school buses and pay the costs of issuance of the bonds. The net proceeds of \$52,501,584 (after payment of \$459,953 in underwriting fees, insurance and other issuance costs) were used for the following: \$1,584 was deposited in the debt service fund for interest payments and \$52,500,000 was invested by the District to fund future construction.

On July 28, 2015, the District issued \$24,005,000 of Unlimited Tax Refunding Bonds, Series 2015B to advance refund \$24,780,000 of previously issued District bonds in order to lower its overall debt service requirements. The net proceeds of \$26,353,724 (after payment of \$263,048 in underwriting fees, insurance, and other issuance costs) was deposited with an escrow agent to provide the debt service payment on the portion of bonds advance refunded. As a result, \$24,780,000 of bond principal is considered defeased and the liability for these bonds was removed from the basic financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$1,573,724. This amount is recorded as a deferred outflow of resources and amortized over the remaining life of the refunded debt which is shorter than the life of the new debt issued. The advance refunding reduced debt service payments by approximately \$1,884,000 and resulted in an economic gain of approximately \$1,725,000.

In prior years, the District defeased certain outstanding general obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all the future debt service payments on the old bonds. Accordingly, the trust account assets and the defeased bonds are not included in the District’s financial statements. At June 30, 2016, outstanding bonds of \$33,370,000 are considered defeased.

The annual principal installments for each of the outstanding issues vary each year. As of June 30, 2016, the debt service requirements of bonded indebtedness to maturity are as follows:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 12,890,000	6,449,238	19,339,238
2018	11,190,000	6,017,813	17,207,813
2019	13,745,000	5,542,312	19,287,312
2020	14,620,000	4,978,562	19,598,562
2021	15,215,000	4,351,162	19,566,162
2022-2026	49,650,000	14,712,219	64,362,219
2027-2031	27,140,000	6,359,275	33,499,275
2032-2036	11,510,000	1,494,250	13,004,250
Total	\$ 155,960,000	49,904,831	205,864,831

The outstanding 2013 Series Bonds include both Serial and Capital Appreciation Bonds. The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

At June 30, 2016, all general obligation bonds authorized by voters of the District have been issued.

Notes Payable - In May 2014, May 2015, and August 2015, the District entered into nine separate promissory notes with certain textbook vendors to fund the purchases of textbooks. The annual principal payments for the outstanding notes payable vary each year and are payable through September 2017. Required principal payments on the notes payable at June 30, 2016 were as follows:

<u>Year Ended June 30,</u>	
2017	\$ 390,569
2018	<u>180,065</u>
Total	<u>\$ 498,634</u>

9. UNEARNED REVENUE

At June 30, 2016, unearned revenue in the governmental funds consisted of the following:

	<u>General Fund</u>
Eanes Education Foundation	\$ 2,000,000
Co-curricular fees	57,400
Other	<u>180,975</u>
Total	<u>\$ 2,238,375</u>

10. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended June 30, 2016, revenues from local and intermediate sources in the governmental funds consisted of the following:

	General Fund	Debt Service Fund	Major Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 126,900,418	21,052,605	-	-	147,953,023
Investment earnings	335,623	45,726	170,158	16,132	567,639
Penalties, interest, and other tax related income	395,922	64,751	-	-	460,673
Tuition and fees from patrons	201,821	-	-	-	201,821
Co-curricular student activities	925,066	-	-	-	925,066
Gifts and donations	1,661,926	-	-	895,798	2,557,724
Other	361,288	-	-	1,276,253	1,637,541
Total	\$ 130,782,064	21,163,082	170,158	2,188,183	154,303,487

11. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, the Board, or an official or body that has been delegated authority by the Board, may appropriate amounts that are to be used for a specific purpose. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances is included in the Governmental Funds Balance Sheet on page 16. Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated authority to the Superintendent or the Assistant Superintendent for Business Services to assign fund balance for a specific purpose. The details of assigned Special Revenue Funds fund balances are included in the Combining Balance Sheet - Nonmajor Special Revenue Funds on pages 57 through 59.

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

12. DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. Assets and income of the District's plan are administered by a private corporation under contract with the District and are held for the exclusive benefit of the participants and their beneficiaries. Accordingly, the plan's assets and liabilities are not recorded in the District's basic financial statements.

13. DEFINED BENEFIT PENSION PLANS

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by TRS. TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by TRS.

Pension Plan Fiduciary Net Position

Detailed information about TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

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

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act ("GAA") established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature GAA established the employer contributions rates for fiscal years 2016 and 2017.

	<u>2015</u>	<u>2016</u>
Contribution Rates:		
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2015 District Contributions		\$ 1,295,836
2015 Member Contributions		\$ 3,634,364
2015 NECE On-behalf Contributions		\$ 3,040,922

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the GAA.

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member’s salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.
- When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

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

Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in TRS target asset allocation as of August 31, 2015 are summarized on the following page.

	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Return*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation-Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	<u>100%</u>		<u>8.7%</u>

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	<u>1% Decrease in Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase in Discount Rate (9.0%)</u>
District's proportionate share of the net pension liability	\$ 20,482,315	\$ 13,072,609	\$ 6,900,785

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$13,072,609 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 13,072,609
State's proportionate share that is associated with the District	<u>36,291,494</u>
Total	<u>\$ 49,364,103</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0370% which was an increase of 0.0194% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation.

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

Economic Assumptions

- The inflation assumption was decreased from 3.00% to 2.50%.
- The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- In accordance with the observed experience, there were small adjustments in the service-based promotion/longevity component of the salary scale.
- The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

- The post-retirement mortality tables for non-disabled retirees and disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

- Previously it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

- The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the year ended June 30, 2016, the District recognized pension expense of \$7,662,637 and revenue of \$5,170,954 for support provided by the State.

At June 30, 2016, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 60,594	\$ 502,392
Changes in actuarial assumptions	254,680	466,373
Difference between projected and actual investment earnings	2,139,561	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	4,417,763	1,027
Contributions paid to TRS subsequent to the measurement date	<u>1,141,823</u>	<u>-</u>
Total	<u>\$ 8,014,421</u>	<u>\$ 969,792</u>

The \$1,141,823 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 20, 2017. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Pension Expense Amount</u>
Year ended June 30:	
2017	\$ 1,092,789
2018	1,092,789
2019	1,092,789
2020	1,452,766
2021	644,114
Thereafter	527,559

14. RETIREE HEALTH PLAN

Plan Description - The District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code ("TIC"), 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. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS 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 System 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. TIC, 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 TIC, 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 fiscal years 2014–2016.

Contribution Rates:

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	.65%	\$ 331,843	1.0%	\$ 510,528	.55%	\$ 280,791
2015	.65%	\$ 329,861	1.0%	\$ 507,479	.55%	\$ 279,113
2014	.65%	\$ 325,467	1.0%	\$ 500,718	.55%	\$ 275,395

15. HEALTH CARE COVERAGE

During the year ended June 30, 2016, employees of the District were covered by a health insurance plan. The District contributed \$450 per month per employee to the plan, and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All contributions were paid to a licensed insurer. The plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The District recognizes as revenues and expenditures retiree drug subsidy reimbursements under the provisions of Medicare Part D made by the federal government to TRS on behalf of the District. For the year ended June 30, 2016, reimbursements of \$198,308 were received by TRS and allocated to the District.

16. RISK MANAGEMENT

The District’s risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers compensation and other miscellaneous bonds. During the year ended June 30, 2016, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past five years.

17. COMMITMENTS AND CONTINGENCIES

The District participates in a number of federal financial assistance programs. Although the District grant programs have been audited in accordance with the provisions of the Uniform Guidance through June 30, 2016, these programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

In September 2014, the District entered into an agreement to lease property to a company who planned to develop a multi-purpose indoor athletic center (the “facility”) to benefit both the District’s students and the community at-large. The District has the right to use the facility during the school day, and if necessary, terminate the lease if the property is needed for future instructional purposes or for reasons of financial exigency. The facility opened in December 2015 and expected annual future lease income to the District is as follows:

<u>Fiscal Years</u>	
2025-2029	\$ 285,265
2030-2034	352,473
2035-2039	398,790
2040-2044	451,194
2045-2049	510,484
2050-2054	577,566
2055-2059	653,462
2060-2064	739,333
2065	78,587
Total	<u>\$ 4,044,153</u>

In October 2015, the District entered into an agreement to lease property to a party (“Rentor”) who plans to develop property for athletic purposes to benefit both the District’s students and the community at-large. The District maintains the right to control and manage the use of the property, and if necessary, terminate lease if property is needed for future instructional purposes or for reasons of financial exigency. During the expected three year period when the Rentor is developing the property for use, rental income to the District is \$5,000 per year. Once property is ready for use, expected annual future lease income to the District is as follows:

<u>Years</u>	
1-5	\$ 175,000
6-10	183,750
11-15	192,938
16-20	202,584
21-25	212,714
26-30	223,349
31-35	234,517
36-40	246,243
41-45	258,555
46-50	271,482
Total	<u>\$ 2,201,132</u>

On September 28 2015, the District entered into a Sale and Purchase Agreement with a company to sell a tract of land and as a result received approximately \$4,000,000. Along with this, the District entered into an Agreement for Donation and Funding with the same company to receive a donation of \$2,000,000 to be used for improvements and /or upgrades to specific sports fields within the District boundaries. Both these proceed amounts are restricted for future construction and improvements and recognized in nonmajor capital projects funds.

In June 2016, the District finalized a sale agreement with a company to sell a tract of land and as a result received approximately \$4,800,000. These proceeds are restricted for use for future construction and improvements and recognized in a nonmajor capital projects fund.

At June 30, 2016, the District is also committed under construction contracts with a remaining balance of approximately \$15,871,000.

18. SUBSEQUENT EVENTS

In September 2016, the District issued \$8,390,000 in Unlimited Tax Refunding Bonds, Series 2016 to refund certain outstanding unlimited tax obligations of the District for debt service savings and pay the costs of issuing the bonds. This resulted in an economic gain of approximately \$1,033,000.

**REQUIRED
SUPPLEMENTARY INFORMATION**

EANES INDEPENDENT SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Teacher Retirement System of Texas
6/30/2016**

	2015*	2014*	2013*
District's proportion of the net pension liability	0.0370%	0.0176%	0.0177%
District's proportionate share of the net pension liability	\$ 13,072,609	\$ 4,711,113	5,784,860
State's proportionate share of the net pension liability associated with the District	36,291,494	31,802,422	39,038,804
Total	\$ 49,364,103	\$ 36,513,535	44,823,664
District's covered-employee payroll (for Measurement Year)	\$ 50,738,468	50,417,291	48,193,778
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	26%	9.34%	12.00%
Plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%	78.17%
Plan's net pension liability as a percentage of covered employee payroll	91.94%	72.90%	93.10%

* The amounts presented for each Plan year are as of August 31, plan information was unavailable prior to 2013.

** Schedule should provide ten years of Plan information, but data was unavailable prior to 2013.

EANES INDEPENDENT SCHOOL DISTRICT
Schedule of District Contributions
Teacher Retirement System of Texas
Last 10 Fiscal Years *

	2016	2015	2014	2013	2012
Contractually required contributions	\$ 1,295,836	\$ 1,010,184	\$ 447,400	\$ 427,672	\$ 365,561
Contributions in relation to the contractual required contributions	<u>1,295,836</u>	<u>1,010,184</u>	<u>447,400</u>	<u>427,672</u>	<u>365,561</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 51,052,365	\$ 50,825,694	\$ 50,056,157	\$ 47,904,262	\$ 39,319,194
Contributions as a percentage of covered payroll	2.54%	1.99%	0.89%	0.89%	0.93%
	2011	2010	2009	2008	2007
Contractually required contributions	\$ 587,338	\$ 624,506	\$ 570,588	\$ 531,921	\$ 403,821
Contributions in relation to the contractual required contributions	<u>587,338</u>	<u>624,506</u>	<u>570,588</u>	<u>531,921</u>	<u>403,821</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 49,456,009	\$ 49,550,868	\$ 47,665,400	\$ 44,498,231	\$ 40,639,400
Contributions as a percentage of covered payroll	1.19%	1.26%	1.20%	1.20%	0.99%

* Starting in fiscal year 2012, the District changed its year end to June 30th. Prior to this, the District's fiscal years ended on August 31st.

EANES INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2016

1. CHANGE IN ASSUMPTIONS

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

- The inflation assumption was decreased from 3.00% to 2.50%.
- The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- There were small adjustments in the service-based promotion/longevity component of the salary scale.
- The payroll growth assumption was lowered from 3.50% to 2.50%.
- The post-retirement mortality tables for non-disabled retirees and disabled retirees were updated to reflect recent TRS member experience.
- The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees.
- Previously it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- Small adjustments to the disability patterns were made for members consistent with experience and future expectations.
- For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.
- The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

EANES INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and cash equivalents	\$ 1,792,688	15,905,415	17,698,103
Due from other governments	958,501	-	958,501
Due from other funds	-	928	928
Receivable	51	-	51
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,751,240</u>	<u>15,906,343</u>	<u>18,657,583</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 132,919	1,278,445	1,411,364
Payroll deductions and withholdings payable	21,705	-	21,705
Accrued wages payable	160,504	-	160,504
Due to other funds	350,604	-	350,604
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>665,732</u>	<u>1,278,445</u>	<u>1,944,177</u>
Fund balances:			
Restricted	-	14,627,898	14,627,898
Committed	542,726	-	542,726
Assigned	1,542,782	-	1,542,782
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>2,085,508</u>	<u>14,627,898</u>	<u>16,713,406</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 2,751,240</u>	<u>15,906,343</u>	<u>18,657,583</u>

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2016

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES:			
Local and intermediate sources	\$ 1,800,045	388,138	2,188,183
State program revenues	1,029,289	-	1,029,289
Federal program revenues	2,033,694	-	2,033,694
Total revenues	<u>4,863,028</u>	<u>388,138</u>	<u>5,251,166</u>
EXPENDITURES:			
Current:			
Instruction	2,204,984	122,641	2,327,625
Instructional resources and media services	80,430	-	80,430
Curriculum and staff development	363,660	-	363,660
Instructional leadership	9,336	-	9,336
School leadership	51,931	-	51,931
Guidance, counseling and evaluation services	1,205,530	-	1,205,530
Health services	3,937	-	3,937
Extracurricular activities	274,323	-	274,323
General administration	-	5,474	5,474
Facilities maintenance and operations	57,558	105,297	162,855
Security and monitoring services	11,987	16,222	28,209
Data processing services	-	342,513	342,513
Community services	1,743	-	1,743
Principal payments	503,495	-	503,495
Facilities acquisition and construction	23,445	2,273,969	2,297,414
Total expenditures	<u>4,792,359</u>	<u>2,866,116</u>	<u>7,658,475</u>
Excess (deficiency) of revenues over (under) expenditures	70,669	(2,477,978)	(2,407,309)
OTHER FINANCING SOURCES:			
Proceeds on sale of capital assets	-	4,805,469	4,805,469
Issuance of notes payable	52,943	-	52,943
Transfers in	-	5,979,915	5,979,915
Total other financing sources	<u>52,943</u>	<u>10,785,384</u>	<u>10,838,327</u>
Net change in fund balances	123,612	8,307,406	8,431,018
Fund balances--beginning	<u>1,961,896</u>	<u>6,320,492</u>	<u>8,282,388</u>
Fund balances--ending	<u>\$ 2,085,508</u>	<u>14,627,898</u>	<u>16,713,406</u>

EANES INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2016

	<u>211</u> <u>Title I Grants</u> <u>to Local</u> <u>Educational</u> <u>Agencies</u>	<u>224</u> <u>Special Ed</u> <u>Grants to</u> <u>States</u> <u>Formula</u>	<u>225</u> <u>Special</u> <u>Education</u> <u>Preschool</u> <u>Grants</u>	<u>226</u> <u>Special Ed</u> <u>Grants to</u> <u>States Disc.</u> <u>and High Cost</u>	<u>244</u> <u>Career</u> <u>and</u> <u>Technical</u> <u>Education</u>	<u>255</u> <u>Improving</u> <u>Teacher</u> <u>Quality</u> <u>State Grants</u>	<u>263</u> <u>English</u> <u>Language</u> <u>Acquisition</u> <u>State Grants</u>
ASSETS:							
Cash and cash equivalents	\$ 12,762	-	440	-	-	7,270	-
Due from other governments	22,989	166,767	2,782	298,046	1,559	12,422	8,255
Other receivable	-	-	-	-	-	-	-
Total assets	<u>\$ 35,751</u>	<u>166,767</u>	<u>3,222</u>	<u>298,046</u>	<u>1,559</u>	<u>19,692</u>	<u>8,255</u>
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	\$ -	5,629	-	-	-	-	-
Payroll deductions and withholdings payable	3,782	15,755	410	-	-	1,609	-
Accrued wages payable	31,969	99,385	2,812	-	-	18,083	8,255
Due to other funds	-	45,998	-	298,046	1,559	-	-
Total liabilities	<u>35,751</u>	<u>166,767</u>	<u>3,222</u>	<u>298,046</u>	<u>1,559</u>	<u>19,692</u>	<u>8,255</u>
Fund balances:							
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 35,751</u>	<u>166,767</u>	<u>3,222</u>	<u>298,046</u>	<u>1,559</u>	<u>19,692</u>	<u>8,255</u>

(continued)

EANES INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2016

	288 Elementary and Secondary School Counseling Programs	289 Child Health & Human Development Extramural	385 Visually Impaired	393 Texas Successful Schools	397 Advanced Placement Initiatives	410 State Instructional Materials
ASSETS:						
Cash and cash equivalents	\$ -	-	-	15,499	28,257	481,977
Due from other governments	-	-	4,950	-	-	440,731
Other receivable	51	-	-	-	-	-
Total assets	<u>\$ 51</u>	<u>-</u>	<u>4,950</u>	<u>15,499</u>	<u>28,257</u>	<u>922,708</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable	\$ -	-	-	-	-	8,480
Payroll deductions and withholdings payable	-	-	-	-	-	-
Accrued wages payable	-	-	-	-	-	-
Due to other funds	51	-	4,950	-	-	-
Total liabilities	<u>51</u>	<u>-</u>	<u>4,950</u>	<u>-</u>	<u>-</u>	<u>8,480</u>
Fund balances:						
Committed	-	-	-	-	-	-
Assigned	-	-	-	15,499	28,257	914,228
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,499</u>	<u>28,257</u>	<u>914,228</u>
Total liabilities and fund balances	<u>\$ 51</u>	<u>-</u>	<u>4,950</u>	<u>15,499</u>	<u>28,257</u>	<u>922,708</u>

(continued)

EANES INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2016

	429	461	494	496	499	Total Nonmajor Special Revenue Funds
	Other State	Campus Activity Funds	Raise Up Texas	TASB Loss Prevention	Other Local	
ASSETS:						
Cash and cash equivalents	\$ 297	627,428	137	3,262	615,359	1,792,688
Due from other governments	-	-	-	-	-	958,501
Other receivable	-	-	-	-	-	51
Total assets	<u>\$ 297</u>	<u>627,428</u>	<u>137</u>	<u>3,262</u>	<u>615,359</u>	<u>2,751,240</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable	\$ -	84,702	-	-	34,108	132,919
Payroll deductions and withholdings payable	-	-	137	-	12	21,705
Accrued wages payable	-	-	-	-	-	160,504
Due to other funds	-	-	-	-	-	350,604
Total liabilities	<u>-</u>	<u>84,702</u>	<u>137</u>	<u>-</u>	<u>34,120</u>	<u>665,732</u>
Fund balances:						
Committed	-	542,726	-	-	-	542,726
Assigned	<u>297</u>	<u>-</u>	<u>-</u>	<u>3,262</u>	<u>581,239</u>	<u>1,542,782</u>
Total fund balances	<u>297</u>	<u>542,726</u>	<u>-</u>	<u>3,262</u>	<u>581,239</u>	<u>2,085,508</u>
Total liabilities and fund balances	<u>\$ 297</u>	<u>627,428</u>	<u>137</u>	<u>3,262</u>	<u>615,359</u>	<u>2,751,240</u>

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2016

	211 Title I Grants to Local Educational Agencies	224 Special Ed Grants to States Formula	225 Special Education Preschool Grants	226 Special Ed Grants to States Disc. and High Cost	244 Career and Technical Education	255 Improving Teacher Quality State Grants	263 English Language Acquisition State Grants
REVENUES:							
Local and intermediate sources	\$ -	-	-	-	-	-	-
State program revenues	-	-	-	-	-	-	-
Federal program revenues	207,721	1,267,569	19,755	361,213	43,372	116,015	14,666
Total revenues	<u>207,721</u>	<u>1,267,569</u>	<u>19,755</u>	<u>361,213</u>	<u>43,372</u>	<u>116,015</u>	<u>14,666</u>
EXPENDITURES:							
Current:							
Instruction	207,721	417,749	19,755	361,213	37,903	116,015	12,631
Instructional resources and media services	-	-	-	-	-	-	-
Curriculum and staff development	-	26,038	-	-	2,469	-	2,035
Instructional leadership	-	7,843	-	-	-	-	-
School leadership	-	200	-	-	-	-	-
Guidance, counseling and evaluation services	-	812,721	-	-	3,000	-	-
Health services	-	3,018	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-	-
Security and monitoring services	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-
Principal payments	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Total expenditures	<u>207,721</u>	<u>1,267,569</u>	<u>19,755</u>	<u>361,213</u>	<u>43,372</u>	<u>116,015</u>	<u>14,666</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	-	-
Other financing sources - Issuance of notes payable	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-
Beginning fund balances	-	-	-	-	-	-	-
Ending fund balances	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended June 30, 2016

	288 Elementary and Secondary School Counseling Programs	289 Child Health & Human Development Extramural	385 Visually Impaired	393 Texas Successful Schools	397 Advanced Placement Initiatives	410 State Instructional Materials
REVENUES:						
Local and intermediate sources	\$ -	-	-	-	-	-
State program revenues	-	-	4,950	-	-	1,024,339
Federal program revenues	-	3,383	-	-	-	-
Total revenues	<u>-</u>	<u>3,383</u>	<u>4,950</u>	<u>-</u>	<u>-</u>	<u>1,024,339</u>
EXPENDITURES:						
Current:						
Instruction	-	2,175	4,950	-	-	596,536
Instructional resources and media services	-	-	-	-	-	-
Curriculum and staff development	-	885	-	-	-	40,813
Instructional leadership	-	-	-	-	-	245
School leadership	-	323	-	-	-	245
Guidance, counseling and evaluation services	-	-	-	-	-	-
Health services	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-
Security and monitoring services	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Principal payments	-	-	-	-	-	503,495
Facilities acquisition and construction	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>3,383</u>	<u>4,950</u>	<u>-</u>	<u>-</u>	<u>1,141,334</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	(116,995)
Other financing sources -						
Issuance of notes payable	-	-	-	-	-	52,943
Net change in fund balances	-	-	-	-	-	(64,052)
Beginning fund balances	-	-	-	15,499	28,257	978,280
Ending fund balances	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>15,499</u>	<u>28,257</u>	<u>914,228</u>

(continued)

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended June 30, 2016

	429	461	494	496	499	Total Nonmajor Special Revenue Funds
	Other State	Campus Activity Funds	Raise Up Texas	TASB Loss Prevention	Other Local	
REVENUES:						
Local and intermediate sources	\$ -	904,247	-	-	895,798	1,800,045
State program revenues	-	-	-	-	-	1,029,289
Federal program revenues	-	-	-	-	-	2,033,694
Total revenues	-	904,247	-	-	895,798	4,863,028
EXPENDITURES:						
Current:						
Instruction	-	61,639	-	-	366,697	2,204,984
Instructional resources and media services	-	54,132	-	-	26,298	80,430
Curriculum and staff development	-	219,237	-	-	72,183	363,660
Instructional leadership	-	65	-	-	1,183	9,336
School leadership	-	34,855	-	-	16,308	51,931
Guidance, counseling and evaluation services	-	386,630	-	-	3,179	1,205,530
Health services	-	-	-	-	919	3,937
Extracurricular activities	-	15,712	-	-	258,611	274,323
Facilities maintenance and operations	-	-	-	-	57,558	57,558
Security and monitoring services	-	320	-	580	11,087	11,987
Community services	-	-	-	-	1,743	1,743
Principal payments	-	-	-	-	-	503,495
Facilities acquisition and construction	-	-	-	-	23,445	23,445
Total expenditures	-	772,590	-	580	839,211	4,792,359
Excess (deficiency) of revenues over (under) expenditures	-	131,657	-	(580)	56,587	70,669
Other financing sources -						
Issuance of notes payable	-	-	-	-	-	52,943
Net change in fund balances	-	131,657	-	(580)	56,587	123,612
Beginning fund balances	297	411,069	-	3,842	524,652	1,961,896
Ending fund balances	\$ 297	542,726	-	3,262	581,239	2,085,508

EANES INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Capital Projects Governmental Funds
June 30, 2016

	660	661	690	691	692	Total
	Resources from Series 2006 Bonds	Resources from Series 2011 Bonds	Resources from River Hills Land Sale	Resources from Donations for Local Field Improvements	Resources from Baldwin Land Sale	Nonmajor Capital Projects Funds
ASSETS:						
Cash and cash equivalents	\$ 865,883	4,248,526	3,983,608	2,001,856	4,805,542	15,905,415
Due from other funds	-	928	-	-	-	928
Total assets	<u>\$ 865,883</u>	<u>4,249,454</u>	<u>3,983,608</u>	<u>2,001,856</u>	<u>4,805,542</u>	<u>15,906,343</u>
LIABILITIES AND FUND BALANCES:						
Liabilities-						
Accounts payable	\$ 82,829	1,193,666	-	1,950	-	1,278,445
Total liabilities	<u>82,829</u>	<u>1,193,666</u>	<u>-</u>	<u>1,950</u>	<u>-</u>	<u>1,278,445</u>
Fund balances-						
Restricted	<u>783,054</u>	<u>3,055,788</u>	<u>3,983,608</u>	<u>1,999,906</u>	<u>4,805,542</u>	<u>14,627,898</u>
Total fund balances	<u>783,054</u>	<u>3,055,788</u>	<u>3,983,608</u>	<u>1,999,906</u>	<u>4,805,542</u>	<u>14,627,898</u>
Total liabilities and fund balances	<u>\$ 865,883</u>	<u>4,249,454</u>	<u>3,983,608</u>	<u>2,001,856</u>	<u>4,805,542</u>	<u>15,906,343</u>

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Capital Projects Governmental Funds
Year Ended June 30, 2016

	660	661	690	691	692	Total
	Resources from Series 2006 Bonds	Resources from Series 2011 Bonds	Resources from River Hills Land Sale	Resources from Donations for Local Field Improvements	Resources from Baldwin Land Sale	Nonmajor Capital Projects Funds
REVENUES-						
Local and intermediate sources	\$ 2,915	379,601	3,693	1,856	73	388,138
Total revenues	<u>2,915</u>	<u>379,601</u>	<u>3,693</u>	<u>1,856</u>	<u>73</u>	<u>388,138</u>
EXPENDITURES:						
Current:						
Instruction	-	122,641	-	-	-	122,641
General administration	-	5,474	-	-	-	5,474
Facilities maintenance and operations	-	105,297	-	-	-	105,297
Security and monitoring services	-	16,222	-	-	-	16,222
Data processing services	-	342,513	-	-	-	342,513
Facilities acquisition and construction	96,169	2,175,850	-	1,950	-	2,273,969
Total expenditures	<u>96,169</u>	<u>2,767,997</u>	<u>-</u>	<u>1,950</u>	<u>-</u>	<u>2,866,116</u>
Excess (deficiency) of revenues over (under) expenditures	(93,254)	(2,388,396)	3,693	(94)	73	(2,477,978)
OTHER FINANCING SOURCES:						
Proceeds on sale of capital assets	-	-	-	-	4,805,469	4,805,469
Transfers in	-	-	3,979,915	2,000,000	-	5,979,915
Total other financing sources	<u>-</u>	<u>-</u>	<u>3,979,915</u>	<u>2,000,000</u>	<u>4,805,469</u>	<u>10,785,384</u>
Net change in fund balances	(93,254)	(2,388,396)	3,983,608	1,999,906	4,805,542	8,307,406
Fund balances--beginning	876,308	5,444,184	-	-	-	6,320,492
Fund balances--ending	<u>\$ 783,054</u>	<u>3,055,788</u>	<u>3,983,608</u>	<u>1,999,906</u>	<u>4,805,542</u>	<u>14,627,898</u>

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2016

	701 Child Nutrition	711 Community Education	712 Child Care Services	715 Facility Rentals	Total Nonmajor Enterprise Funds
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ -	245,258	972,594	592,661	1,810,513
Other receivables	-	-	53,823	48,040	101,863
Inventories, at cost	31,769	-	-	-	31,769
Prepaid items	-	9,166	-	-	9,166
Total current assets	<u>31,769</u>	<u>254,424</u>	<u>1,026,417</u>	<u>640,701</u>	<u>1,953,311</u>
Noncurrent assets-					
Capital assets:					
Land improvements	-	-	-	9,625	9,625
Buildings and improvements	138,191	-	-	-	138,191
Furniture and equipment	1,617,295	59,497	-	-	1,676,792
Accumulated depreciation	(755,252)	(57,631)	-	-	(812,883)
Total noncurrent assets	<u>1,000,234</u>	<u>1,866</u>	<u>-</u>	<u>9,625</u>	<u>1,011,725</u>
Total assets	<u>1,032,003</u>	<u>256,290</u>	<u>1,026,417</u>	<u>650,326</u>	<u>2,965,036</u>
LIABILITIES:					
Current liabilities:					
Accounts payable	1,299	6,036	1,835	879	10,049
Payroll deductions and withholdings payable	46,350	344	17,250	1,053	64,997
Accrued wages payable	146,820	24,184	103,242	3,384	277,630
Due to other funds	153,444	7	-	-	153,451
Unearned revenue	264,597	40,438	90,073	-	395,108
Total liabilities	<u>612,510</u>	<u>71,009</u>	<u>212,400</u>	<u>5,316</u>	<u>901,235</u>
NET POSITION:					
Net investment in capital assets	1,000,234	1,866	-	9,625	1,011,725
Unrestricted	(580,741)	183,415	814,017	635,385	1,052,076
Total net position	<u>\$ 419,493</u>	<u>185,281</u>	<u>814,017</u>	<u>645,010</u>	<u>2,063,801</u>

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds
Year Ended June 30, 2016

	701 Child Nutrition	711 Community Education	712 Child Care Services	715 Facility Rentals	Total Nonmajor Enterprise Funds
Operating revenues-					
Charges for services	\$ 3,597,754	843,563	2,200,616	922,603	7,564,536
Operating expenses:					
Payroll costs	1,570,628	359,514	1,486,591	190,096	3,606,829
Professional and contracted services	100,551	269,382	20,588	28,166	418,687
Supplies and materials	1,769,945	55,901	61,601	1,236	1,888,683
Other operating	84,392	29,583	65,302	57	179,334
Depreciation	91,291	-	-	-	91,291
Total operating expenses	3,616,807	714,380	1,634,082	219,555	6,184,824
Operating income (loss)	(19,053)	129,183	566,534	703,048	1,379,712
Nonoperating revenues:					
State program revenues	4,881	-	-	-	4,881
Federal program revenues	141,454	-	-	-	141,454
Total nonoperating revenues	146,335	-	-	-	146,335
Income before transfer	127,282	129,183	566,534	703,048	1,526,047
Transfer out	-	(217,333)	(682,666)	(500,000)	(1,399,999)
Change in net position	127,282	(88,150)	(116,132)	203,048	126,048
Total net position--beginning	292,211	273,431	930,149	441,962	1,937,753
Total net position--ending	\$ 419,493	185,281	814,017	645,010	2,063,801

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2016

	701 Child Nutrition	711 Community Education	712 Child Care Services	715 Facility Rentals	Total Nonmajor Enterprise Funds
Cash flows from operating activities:					
Receipts from customers/contributors	\$ 3,592,972	884,001	2,181,419	874,563	7,532,955
Payments to suppliers	(2,493,545)	(358,005)	(145,826)	(30,420)	(3,027,796)
Payments to employees	(1,441,764)	(373,357)	(1,400,663)	(189,884)	(3,405,668)
Net cash provided by (used in) operating activities	<u>(342,337)</u>	<u>152,639</u>	<u>634,930</u>	<u>654,259</u>	<u>1,099,491</u>
Cash flows from noncapital financing activities:					
Transfer to other funds	-	(217,333)	(682,666)	(500,000)	(1,399,999)
State program revenues	4,881	-	-	-	4,881
Federal program revenues	81,644	-	-	-	81,644
Net cash provided by (used in) noncapital financing activities	<u>86,525</u>	<u>(217,333)</u>	<u>(682,666)</u>	<u>(500,000)</u>	<u>(1,313,474)</u>
Net change in cash and cash equivalents	<u>(255,812)</u>	<u>(64,694)</u>	<u>(47,736)</u>	<u>154,259</u>	<u>(213,983)</u>
Cash and cash equivalents—beginning of the period	<u>255,812</u>	<u>309,952</u>	<u>1,020,330</u>	<u>438,402</u>	<u>2,024,496</u>
Cash and cash equivalents—end of the period	<u>\$ -</u>	<u>245,258</u>	<u>972,594</u>	<u>592,661</u>	<u>1,810,513</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (19,053)	129,183	566,534	703,048	1,379,712
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	91,291	-	-	-	91,291
Federal commodities received	59,810	-	-	-	59,810
Decrease (increase) in other receivables	-	-	260,069	(48,040)	212,029
Increase in inventory	(884)	-	-	-	(884)
Decrease in prepaid items	-	-	1,255	-	1,255
Increase (decrease) in accounts payable and cash overdraft	(326,027)	(3,013)	410	(961)	(329,591)
Increase in payroll deductions and withholdings payable	33,068	44	14,398	299	47,809
Increase (decrease) in accrued wages payable	95,796	(13,887)	71,530	(87)	153,352
Decrease in due to other funds	(271,556)	(126)	-	-	(271,682)
Increase (decrease) in unearned revenue	(4,782)	40,438	(279,266)	-	(243,610)
Net cash provided by (used in) operating activities	<u>\$ (342,337)</u>	<u>152,639</u>	<u>634,930</u>	<u>654,259</u>	<u>1,099,491</u>

EANES INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Debt Service Fund
Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 21,176,697	21,089,838	21,163,082	73,244
State program revenues	-	-	166,983	166,983
Total revenues	<u>21,176,697</u>	<u>21,089,838</u>	<u>21,330,065</u>	<u>240,227</u>
EXPENDITURES:				
Principal on long-term debt	13,180,000	12,240,000	12,240,000	-
Interest on long-term debt	7,482,826	5,518,309	5,518,308	1
Other debt service expenditures	200,000	469,579	277,864	191,715
Total expenditures	<u>20,862,826</u>	<u>18,227,888</u>	<u>18,036,172</u>	<u>191,716</u>
Excess of revenues over expenditures	<u>313,871</u>	<u>2,861,950</u>	<u>3,293,893</u>	<u>431,943</u>
OTHER FINANCING SOURCES (USES):				
Issuance of refunding bonds	-	24,005,000	24,005,000	-
Payment to refunded bond escrow agent	-	(26,353,724)	(26,353,724)	-
Premium on sale of bonds	-	2,618,303	2,616,719	(1,584)
Transfers in	-	-	1,584	1,584
Total other financing sources, net	<u>-</u>	<u>269,579</u>	<u>269,579</u>	<u>-</u>
Net change in fund balance	313,871	3,131,529	3,563,472	431,943
Fund balance--beginning	<u>17,331,156</u>	<u>17,331,156</u>	<u>17,331,156</u>	<u>-</u>
Fund balance--ending	<u>\$ 17,645,027</u>	<u>20,462,685</u>	<u>20,894,628</u>	<u>431,943</u>

EANES INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual
Child Nutrition Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Local and intermediate sources	\$ 3,603,600	3,703,600	3,597,754	(105,846)
State program revenues	5,000	5,000	4,881	(119)
Federal program revenues	160,000	160,000	141,454	(18,546)
Total revenues	<u>3,768,600</u>	<u>3,868,600</u>	<u>3,744,089</u>	<u>(124,511)</u>
EXPENSES:				
Food services	3,609,382	3,622,492	3,392,737	229,755
Facilities maintenance and operations	226,500	226,500	224,070	2,430
Total expenses	<u>3,835,882</u>	<u>3,848,992</u>	<u>3,616,807</u>	<u>232,185</u>
OTHER SOURCES-				
Transfers in	-	-	-	-
Change in net position	(67,282)	19,608	127,282	107,674
Total net position--beginning	<u>292,211</u>	<u>292,211</u>	<u>292,211</u>	<u>-</u>
Total net position--ending	<u>\$ 224,929</u>	<u>311,819</u>	<u>419,493</u>	<u>107,674</u>

OTHER SCHEDULES

EANES INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Year Ended June 30, 2016

Last Ten Years Ended June 30*	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 6/30/2015	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 6/30/2016
	Maintenance	Debt Service							
2007 and earlier	Various	Various	Various	\$ 1,016,740	-	19,151	7,697	20,629	1,010,521
2008	1.0400	0.1625	7,967,529,842	89,761	-	9,133	1,427	(172)	79,029
2009	1.0400	0.1625	8,823,427,049	126,457	-	8,581	1,341	(1,095)	115,440
2010	1.0400	0.1625	8,911,089,447	129,985	-	9,660	1,509	(581)	118,235
2011	1.0400	0.1625	8,423,512,913	178,876	-	3,957	618	(5,831)	168,470
2012	1.0400	0.1725	8,453,820,341	140,194	-	11,849	1,965	(4,414)	121,966
2013	1.0400	0.1725	8,768,038,358	180,266	-	(17,884)	(2,966)	(44,203)	156,913
2014	1.0400	0.1725	9,223,025,771	216,327	-	(4,883)	(810)	(45,756)	176,264
2015	1.0400	0.1725	10,150,514,818	799,423	-	77,384	12,835	(477,651)	231,553
2016	1.0400	0.1725	11,142,016,675	-	149,204,260	126,783,470	21,028,989	(540,502)	851,299
Totals				\$ 2,878,029	149,204,260	126,900,418	21,052,605	(1,099,576)	3,029,690

* During 2012, the District changed its year end from August 31 to June 30.

EANES INDEPENDENT SCHOOL DISTRICT

Exhibit L-1 - Required Responses to Selected

School First Indicators

June 30, 2016

Data Control Codes	Description	Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 760,074
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$13,072,609
SF13	Pension Expense (6147) at fiscal year-end.	\$ 7,662,637

FEDERAL AWARDS SECTION



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**INDEPENDENT AUDITORS' 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**

The Board of Trustees of
Eanes Independent School District:

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eanes Independent School District (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"
This firm is not a CPA firm

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

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.

Maxwell Locke + Ritter LLP

Austin, Texas
October 12, 2016



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

The Board of Trustees of
Eanes Independent School District:

Report on Compliance for the Major Federal Program

We have audited Eanes Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2016. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"
This firm is not a CPA firm*

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Maxwell Locke + Ritter LLP

Austin, Texas
October 12, 2016

EANES INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed Through Texas Education Agency:</u>			
Title I Grants to Local Educational Agencies	84.010A	15610101227909	\$ 3,449
Title I Grants to Local Educational Agencies	84.010A	16610101227909	204,272
Total CFDA Number 84.010A			207,721
Special Education Cluster:			
Special Education-Grants to States (IDEA - Part B, Formula)	84.027A	156600012279096600	37,986
Special Education-Grants to States (IDEA - Part B, Formula)	84.027A	166600012279096600	1,229,583
Special Education-Grants to States (IDEA - Part B, Discretionary Residential)	84.027A	166600122279096677	74,027
Special Education-Grants to States (IDEA - Part B, High Cost Risk Pool)	84.027A	156600062279096680	2,918
Special Education-Grants to States (IDEA - Part B, High Cost Risk Pool)	84.027A	16660006227909	284,268
Total CFDA Number 84.027A			1,628,782
Special Education-Preschool Grants (IDEA - Part B, Preschool)	84.173A	156610012279096610	14
Special Education-Preschool Grants (IDEA - Part B, Preschool)	84.173A	166610012279096610	19,741
Total CFDA Number 84.173A			19,755
Total for Special Education Cluster			1,648,537
Career and Technical Education - Basic Grants to States	84.048A	16420006227909	43,372
English Language Acquisition State Grants	84.365A	15671001227909	4,376
English Language Acquisition State Grants	84.365A	16671001227909	10,290
Total CFDA Number 84.365A			14,666
Improving Teacher Quality State Grants	84.367A	15694501227909	1,046
Improving Teacher Quality State Grants	84.367A	16694501227909	114,969
Total CFDA Number 84.367A			116,015
Total Passed Through Texas Education Agency			2,030,311
TOTAL DEPARTMENT OF EDUCATION			2,030,311
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through Texas Education Agency-</u>			
National School Lunch Program	10.555	71301901	81,644
<u>Passed Through the Texas Department of Human Services-</u>			
Non-cash assistance - Food Distribution Program	10.555	71300901	59,810
Total CFDA Number 10.555			141,454
TOTAL DEPARTMENT OF AGRICULTURE			141,454
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Passed Through the University of Texas at Austin</u>			
Child Health and Human Development Extramural Research	93.865	UTA14-000499	3,383
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			3,383
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,175,148

The accompanying notes are an integral part of this schedule.

EANES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2016

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Eanes Independent School District (the "District") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net position, or cash flows of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The expenditures reported on the Schedule are reported using the modified accrual basis of accounting, with the exception of the National School Lunch Program and the Food Distribution Program. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Expenditures in the National School Lunch Program and the Food Distribution Program are not specifically attributable to this revenue source and are shown on the Schedule in an amount equal to revenue for balancing purposes only. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

The District has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Relationship to Basic Financial Statements

Expenditures of federal awards are reported in the District's basic financial statements in the special revenue funds, with the exception of the National School Lunch Program and the Food Distribution Program which are accounted for in an enterprise fund.

Relationship to Federal Financial Reports

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports in all significant respects.

EANES INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted?

yes no

FEDERAL AWARDS

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major federal programs:

Special Education Cluster

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Special Education Cluster:
84.027A	Special Education - Grants to States (IDEA - Part B, Formula)
84.027A	Special Education - Grants to States (IDEA - Part B, Discretionary Residential)
84.027A	Special Education - Grants to States (IDEA - Part B, High Cost Risk Pool)
84.173A	Special Education - Preschool Grants (IDEA - Part B, Preschool)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

yes no

EANES INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings required to be reported in accordance with *Government Auditing Standards* for the years ended June 30, 2016 and June 30, 2015.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) for the year ended June 30, 2016 or in accordance with Section 510(a) of OMB Circular A-133 for the year ended June 30, 2015.

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