

**EANES INDEPENDENT
SCHOOL DISTRICT**

**Annual Financial Report
for the Fiscal Year Ended
June 30, 2017**



EANES INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF BOARD

<u>Eanes Independent School District</u>	<u>Travis</u>	<u>227909</u>
Name of School District	County	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, 2017 at a meeting of the Board of Trustees of such school district on the 17th day of October, 2017.

Christie Bybee
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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2017, 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, 50, 51, and 52, 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 17, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the District's 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 17, 2017

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, 2017. Please read it in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

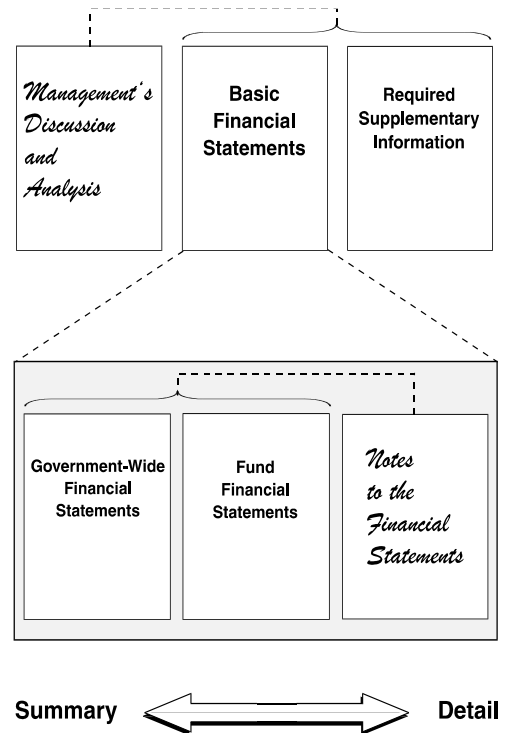
- The District’s total combined net position was \$101.4 million at June 30, 2017, an increase of \$5.7 million from the prior year. In other words, during the year ended June 30, 2017, the District generated \$5.7 million more in taxes and other revenues than the \$185.1 million in expenses for governmental and business-type activities.
- The General Fund reported a fund balance at June 30, 2017 of \$28.2 million which is a \$944 thousand decrease from the prior year. Of total General Fund fund balance, \$22.9 million or 81% is considered unassigned fund balance and may be used to meet the District’s ongoing obligations.
- On September 21, 2016, the District issued \$8,390,000 of Unlimited Tax Refunding Bonds, Series 2016 to advance refund \$8,435,000 of previously issued District bonds in order to lower its overall debt service requirements.

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.

Figure A-1, Required Components of the District’s Annual Financial Report



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

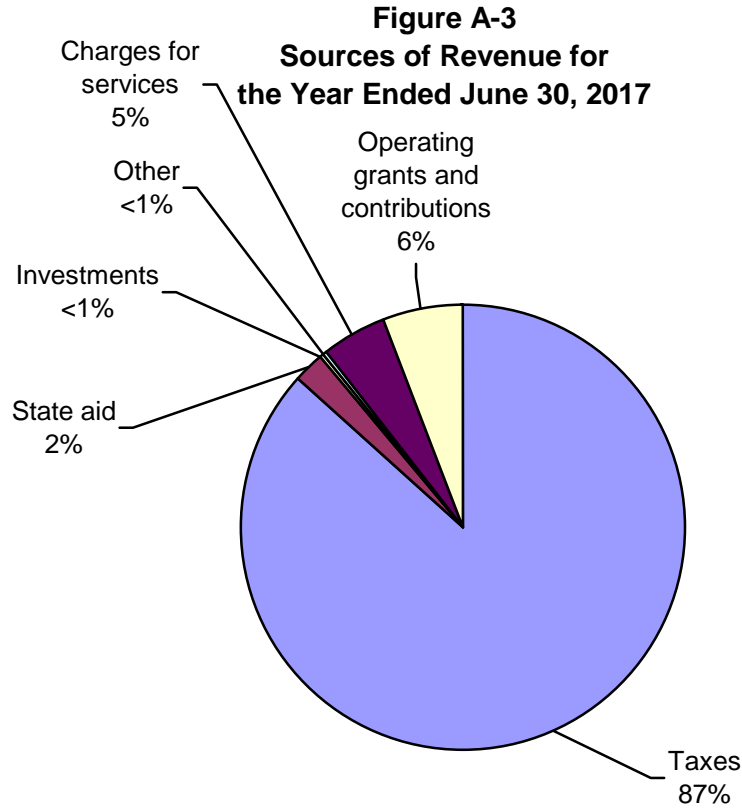
Net position - The District's combined net position was \$101.4 million as of June 30, 2017 (see Table A-1).

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2017	2016	2017	2016	2017	2016	
Current and other assets	\$ 124.9	145.5	\$ 2.5	1.8	\$ 127.4	147.3	(13.5%)
Capital and non-current	178.8	163.8	0.9	1.0	179.7	164.8	9.0%
Total assets	303.7	309.3	3.4	2.8	307.1	312.1	(1.6%)
Deferred outflows	11.9	10.0	-	-	11.9	10.0	19.0%
Current liabilities	59.2	53.9	0.8	0.7	60.0	54.6	9.9%
Non-current liabilities	156.7	170.8	-	-	156.7	170.8	(8.3%)
Total liabilities	215.9	224.7	0.8	0.7	216.7	225.4	(3.9%)
Deferred inflows	0.9	1.0	-	-	0.9	1.0	(10.0%)
Net position:							
Net investment in capital assets	44.3	40.4	0.9	1.0	45.2	41.4	9.2%
Restricted	33.2	29.0	-	-	33.2	29.0	14.5%
Unrestricted	21.3	24.2	1.7	1.1	23.0	25.3	(9.1%)
Total net position	\$ 98.8	93.6	\$ 2.6	2.1	\$ 101.4	95.7	6.0%

Net position - Net investment in capital assets reflects the book value of the District's capital assets and is \$45.2 million more than the debt which financed those assets. The \$23.0 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 \$190.8 million. A significant portion, 87 percent, of the District's revenue comes from taxes (See Figure A-3); 2 percent comes from state aid - formula grants, 5 percent relates to charges for services, and 6 percent comes from operating grants and contributions.



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 \$16.7 million in tax revenues to approximately \$165.2 million for the year ended June 30, 2017, up from approximately \$148.5 million in 2016. Overall, the District's net position increased by approximately \$5.7 million during the year ended June 30, 2017 compared to an increase of approximately \$5.6 million for the year ended June 30, 2016. Key elements of these changes are as follows: increase in net position for fiscal year ending June 30, 2017 from the additional property tax revenue noted above.

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

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2017	2016	2017	2016	2017	2016	
<u>Program revenues:</u>							
Charges for services	\$ 1.3	1.1	\$ 7.8	7.6	\$ 9.1	8.7	4.6%
Operating grants and contributions	10.8	12.1	0.2	0.1	11.0	12.2	(9.8%)
<u>General revenues:</u>							
Property taxes	165.2	148.5	-	-	165.2	148.5	11.2%
State aid formula grants	4.0	2.5	-	-	4.0	2.5	60.0%
Gain on disposal of capital assets	-	3.6	-	-	-	3.6	(100.0%)
Donation	-	2.0	-	-	-	2.0	(100.0%)
Investment earnings and other	1.5	1.3	-	-	1.5	1.3	15.4%
Total revenues	182.8	171.1	8.0	7.7	190.8	178.8	6.7%
<u>Expenses:</u>							
Instruction	57.3	57.7	-	-	57.3	57.7	(0.7%)
Instructional resources and media services	1.4	1.3	-	-	1.4	1.3	7.7%
Student support services	16.7	16.0	3.8	3.6	20.5	19.6	4.6%
General administration	3.3	3.0	-	-	3.3	3.0	10.0%
Support services	10.3	10.6	-	-	10.3	10.6	(2.8%)
Community services	0.2	0.2	2.8	2.6	3.0	2.8	7.1%
Interest on long-term debt and other debt service	5.2	6.4	-	-	5.2	6.4	(18.8%)
Facilities acquisition and construction	-	0.1	-	-	-	0.1	(100.0%)
Contracted instructional services between schools	83.3	70.9	-	-	83.3	70.9	17.5%
Other	0.8	0.8	-	-	0.8	0.8	0.0%
Total expenses	178.5	167.0	6.6	6.2	185.1	173.2	6.9%
Transfers	0.8	1.4	(0.8)	(1.4)	-	-	0.0%
Change in net position	\$ 5.1	5.5	\$ 0.6	0.1	\$ 5.7	5.6	1.8%

The cost of all *governmental* activities for the year ended June 30, 2017 was \$178.5 million. However, the amount that our taxpayers paid for these activities through property taxes was only \$165.2 million. Some of the cost was paid by those who directly benefited from the programs (\$1.3 million) or by grants and contributions (\$10.8 million). The total cost of all programs and services (including business-type activities) was \$185.1 million; 32 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, 2017 and 2016, 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		
	2017	2016	% Change	2017	2016	% Change
Instruction	\$ 57.3	57.7	(0.7%)	\$ 49.5	49.1	0.8%
School leadership	3.7	3.6	2.8%	3.5	3.3	6.1%
Guidance, counseling, and evaluation services	3.2	3.1	3.2%	1.9	1.7	11.8%
General administration	3.3	3.0	10.0%	3.1	2.8	10.7%
Interest on long-term debt and other debt service	5.2	6.4	(18.8%)	5.2	6.4	(18.8%)
Facilities maintenance and operations	7.9	8.2	(3.7%)	7.7	7.9	(2.5%)
Contracted instructional services between schools	83.3	70.9	17.5%	83.3	70.9	17.5%

Business-type Activities

Revenues of the District’s business-type activities increased to \$8.0 million from \$7.7 million. For the Child Nutrition Fund, revenues increased by approximately \$24,000 while expenses increased by approximately \$177,000, which resulted in a decrease in net position of approximately \$26,000 compared to an increase last year of approximately \$127,000. The remaining business-type revenues increased by approximately \$225,000 and expenses increased by approximately \$237,000 or 9.2 percent. Coupled with net transfers out of approximately \$800,000, this resulted in an increase in net position for the remaining business-type funds of approximately \$612,000.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Revenues from governmental funds totaled \$182.0 million, an increase of 11.4 percent from the preceding year. The \$17.3 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 increased by \$1.4 million from the preceding year due to an increase in state aid formula grants. 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 \$1.2 million below final budget amounts for the General Fund. The most significant positive variances resulted from instruction, general administration, and facilities maintenance and operations. Overall, resources available at the end of the year were approximately \$693,000 more than the final budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the District had \$179.7 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 increase (including additions and deductions) of \$14.9 million or 9.0 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
	2017	2016	2017	2016	2017	2016	
Land and land improvements	\$ 21.2	21.2	\$ -	-	\$ 21.2	21.2	0.0%
Construction in progress	6.1	9.0	-	-	6.1	9.0	(32.2%)
Buildings and improvements	255.4	232.2	0.1	0.1	255.5	232.3	10.0%
Furniture and equipment	28.6	24.0	1.7	1.7	30.3	25.7	17.9%
Totals at historical cost	311.3	286.4	1.8	1.8	313.1	288.2	8.6%
Accumulated depreciation	(132.5)	(122.6)	(0.9)	(0.8)	(133.4)	(123.4)	8.1%
Net capital assets	<u>\$ 178.8</u>	<u>163.8</u>	<u>\$ 0.9</u>	<u>1.0</u>	<u>\$ 179.7</u>	<u>164.8</u>	<u>9.0%</u>

Long Term Debt

At June 30, 2017, the District had \$158.4 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
	2017	2016	
Bonds, premiums, and accretion payable	\$ 157.2	170.0	(7.5%)
Notes payable	0.1	0.5	(80.0%)
Compensated absences	0.6	0.5	20.0%
Capital lease payable	0.5	-	100.0%
Total long-term debt	<u>\$ 158.4</u>	<u>171.0</u>	<u>(7.4%)</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Certified net taxable property value increased for tax year 2017 to \$13.1 billion, an increase of 5.8 percent.
- Estimated recapture of tax revenues through the purchase of attendance credits is \$92.5 million for 2018, up from \$83.3 million in 2017.
- The General Fund budget for operating expenditures per student is approximately \$9,000 per pupil for 2018. Recapture expenditures are estimated at approximately \$11,400 per student.
- The District is anticipating a slight decrease in enrollment and average daily attendance for 2018.

These indicators were taken into account when adopting the General Fund budget for 2018. In the original approved budget, estimated revenues for 2018 are approximately \$161.4 million. Expenditures of approximately \$165.7 million are budgeted, including \$92.5 million for recapture. If these original estimates are realized, the District's budgetary fund balance is expected to decrease approximately \$4.3 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, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 100,300,157	2,412,106	102,712,263
Temporary investments	21,406,823	-	21,406,823
Receivables:			
Property taxes - delinquent	2,942,848	-	2,942,848
Allowance for uncollectible taxes	(2,040,199)	-	(2,040,199)
Due from other governments	1,945,558	-	1,945,558
Internal balances	66,253	(66,253)	-
Due from fiduciary funds	46	-	46
Other receivables	95,103	75,594	170,697
Inventories, at cost	71,678	34,854	106,532
Prepaid items	146,898	9,533	156,431
Capital assets (net of accumulated depreciation):			
Land and land improvements	21,215,260	9,625	21,224,885
Construction in progress	6,081,733	-	6,081,733
Buildings and improvements	143,654,142	115,278	143,769,420
Furniture and equipment	7,821,993	834,872	8,656,865
Total assets	<u>303,708,293</u>	<u>3,425,609</u>	<u>307,133,902</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on bond refundings	2,955,565	-	2,955,565
Pension contributions after measurement date	1,181,687	-	1,181,687
Deferred outflows related to pension liability	7,737,652	-	7,737,652
Total deferred outflows of resources	<u>11,874,904</u>	<u>-</u>	<u>11,874,904</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	6,799,304	22,318	6,821,622
Payroll deductions and withholdings payable	595,077	76,182	671,259
Accrued wages payable	6,256,161	355,159	6,611,320
Due to other governments	22,814,609	-	22,814,609
Unearned revenue	2,740,740	321,752	3,062,492
Bond interest payable	2,547,188	-	2,547,188
Bonds payable	17,165,000	-	17,165,000
Notes payable	140,357	-	140,357
Capital lease payable	165,862	-	165,862
Noncurrent liabilities:			
Bonds payable	139,298,066	-	139,298,066
Accretion payable	783,453	-	783,453
Compensated absences	584,203	-	584,203
Capital lease payable	330,699	-	330,699
Net pension liability	15,681,221	-	15,681,221
Total liabilities	<u>215,901,940</u>	<u>775,411</u>	<u>216,677,351</u>
DEFERRED INFLOWS OF RESOURCES-			
Deferred inflows related to pension liability	903,714	-	903,714
NET POSITION:			
Net investment in capital assets	44,212,226	959,775	45,172,001
Restricted for:			
Debt service	22,959,456	-	22,959,456
Authorized construction	10,281,876	-	10,281,876
Unrestricted	21,323,985	1,690,423	23,014,408
Total net position	<u>\$ 98,777,543</u>	<u>2,650,198</u>	<u>101,427,741</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, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction	\$ 57,317,545	221,260	7,562,156	(49,534,129)	-	(49,534,129)
Instructional resources and media services	1,385,015	-	132,970	(1,252,045)	-	(1,252,045)
Curriculum and staff development	2,506,295	-	485,450	(2,020,845)	-	(2,020,845)
Instructional leadership	1,290,481	-	70,815	(1,219,666)	-	(1,219,666)
School leadership	3,708,802	-	255,339	(3,453,463)	-	(3,453,463)
Guidance, counseling, and evaluation services	3,219,672	-	1,297,844	(1,921,828)	-	(1,921,828)
Social work services	280,100	-	16,168	(263,932)	-	(263,932)
Health services	776,065	-	89,542	(686,523)	-	(686,523)
Student transportation	2,085,683	-	110,218	(1,975,465)	-	(1,975,465)
Food services	261,716	-	5,403	(256,313)	-	(256,313)
Extracurricular activities	2,504,917	1,108,729	290,458	(1,105,730)	-	(1,105,730)
General administration	3,262,837	-	144,447	(3,118,390)	-	(3,118,390)
Facilities maintenance and operations	7,927,230	-	195,833	(7,731,397)	-	(7,731,397)
Security and monitoring services	600,130	-	18,274	(581,856)	-	(581,856)
Data processing services	1,771,399	-	92,034	(1,679,365)	-	(1,679,365)
Community services	245,052	-	23,122	(221,930)	-	(221,930)
Interest on long-term debt	5,063,709	-	-	(5,063,709)	-	(5,063,709)
Other debt service	180,749	-	-	(180,749)	-	(180,749)
Facilities acquisition and construction	518	-	-	(518)	-	(518)
Contracted instructional services between schools	83,305,989	-	-	(83,305,989)	-	(83,305,989)
Other intergovernmental charges	785,781	-	-	(785,781)	-	(785,781)
Total governmental activities	\$ 178,479,685	1,329,989	10,790,073	(166,359,623)	-	(166,359,623)
Business-type activities:						
Food services	\$ 3,794,067	3,623,650	144,368	-	(26,049)	(26,049)
Community services	2,804,644	4,191,610	-	-	1,386,966	1,386,966
Total business-type activities	\$ 6,598,711	7,815,260	144,368	-	1,360,917	1,360,917
Total primary government	\$ 185,078,396	9,145,249	10,934,441	(166,359,623)	1,360,917	(164,998,706)
General revenues:						
Property taxes, levied for general purposes				\$ 141,724,005	-	141,724,005
Property taxes, levied for debt service				23,518,207	-	23,518,207
State aid formula grants				4,009,877	-	4,009,877
Investment earnings				1,025,608	489	1,026,097
Miscellaneous				415,209	-	415,209
Transfers				775,009	(775,009)	-
Total general revenues and other				171,467,915	(774,520)	170,693,395
Change in net position				5,108,292	586,397	5,694,689
Net position - beginning				93,669,251	2,063,801	95,733,052
Net position - ending				\$ 98,777,543	2,650,198	101,427,741

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

EANES INDEPENDENT SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Debt Service Fund	Major Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 47,836,756	20,356,152	18,725,138	13,002,212	99,920,258
Temporary investments	11,411,248	4,995,575	5,000,000	-	21,406,823
Receivables:					
Property taxes - delinquent	2,517,609	425,239	-	-	2,942,848
Allowance for uncollectible taxes	(1,749,830)	(290,369)	-	-	(2,040,199)
Due from other governments	868,118	-	-	1,077,440	1,945,558
Due from other funds	415,002	23,824	-	-	438,826
Other receivables	87,034	-	8,069	-	95,103
Inventories, at cost	71,678	-	-	-	71,678
Prepaid items	146,898	-	-	-	146,898
Total assets	<u>\$ 61,604,513</u>	<u>25,510,421</u>	<u>23,733,207</u>	<u>14,079,652</u>	<u>124,927,793</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 404,700	3,777	5,788,113	549,894	6,746,484
Payroll deductions and withholdings payable	575,183	-	-	19,894	595,077
Accrued wages payable	6,117,644	-	-	138,517	6,256,161
Due to other governments	22,814,609	-	-	-	22,814,609
Due to other funds	23,824	-	290	348,413	372,527
Unearned revenue	2,740,740	-	-	-	2,740,740
Total liabilities	<u>32,676,700</u>	<u>3,777</u>	<u>5,788,403</u>	<u>1,056,718</u>	<u>39,525,598</u>
Deferred inflows of resources-					
Deferred revenue - property taxes	767,779	134,870	-	-	902,649
Fund balances:					
Nonspendable:					
Inventories	71,678	-	-	-	71,678
Prepaid items	146,898	-	-	-	146,898
Restricted for:					
Debt service	-	25,371,774	-	-	25,371,774
Authorized construction	-	-	17,944,804	11,283,671	29,228,475
Committed to-					
Campus activities	-	-	-	531,121	531,121
Assigned to:					
2017-18 budget deficit	4,309,105	-	-	-	4,309,105
Compensated absences	584,203	-	-	-	584,203
Encumbered for 2017-18	167,423	-	-	-	167,423
Special revenue funds	-	-	-	1,208,142	1,208,142
Unassigned	22,880,727	-	-	-	22,880,727
Total fund balances	<u>28,160,034</u>	<u>25,371,774</u>	<u>17,944,804</u>	<u>13,022,934</u>	<u>84,499,546</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 61,604,513</u>	<u>25,510,421</u>	<u>23,733,207</u>	<u>14,079,652</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	178,773,128
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	902,649
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	327,079
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	(156,463,066)
Less: Deferred charges on bond refundings	2,955,565
Interest payable	(2,547,188)
Accretion payable	(783,453)
Notes payable	(140,357)
Capital lease payable	(496,561)
Compensated absences	(584,203)
Net pension liability	(15,681,221)
Pension contributions after measurement date	1,181,687
Deferred outflows related to pension liability	7,737,652
Deferred inflows related to pension liability	(903,714)
Net position of governmental activities	<u>\$ 98,777,543</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, 2017

	General Fund	Debt Service Fund	Major Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Local and intermediate sources	\$ 145,854,502	23,593,703	251,119	1,857,855	171,557,179
State program revenues	7,479,056	140,209	-	597,904	8,217,169
Federal program revenues	109,504	-	-	2,090,722	2,200,226
Total revenues	<u>153,443,062</u>	<u>23,733,912</u>	<u>251,119</u>	<u>4,546,481</u>	<u>181,974,574</u>
EXPENDITURES:					
Current:					
Instruction	44,112,999	-	1,895,505	2,813,929	48,822,433
Instructional resources and media services	912,388	-	-	88,539	1,000,927
Curriculum and staff development	2,009,435	-	-	448,265	2,457,700
Instructional leadership	1,221,201	-	-	2,072	1,223,273
School leadership	3,396,411	-	-	63,353	3,459,764
Guidance, counseling, and evaluation services	1,917,779	-	-	1,190,081	3,107,860
Social work services	272,618	-	-	-	272,618
Health services	677,345	-	-	51,724	729,069
Student transportation	1,981,334	-	51,878	-	2,033,212
Food services	91,099	-	-	-	91,099
Extracurricular activities	2,218,663	-	-	273,591	2,492,254
General administration	3,060,904	-	13,990	15,894	3,090,788
Facilities maintenance and operations	7,379,165	-	110,491	1,680	7,491,336
Security and monitoring services	513,733	-	349,263	81,846	944,842
Data processing services	1,634,055	-	1,835,533	127,362	3,596,950
Community services	229,071	-	-	9,827	238,898
Debt service:					
Principal on long-term debt	-	12,890,000	-	358,277	13,248,277
Interest on long-term debt	-	6,349,378	-	-	6,349,378
Other debt service expenditures	-	180,749	-	-	180,749
Facilities acquisition and construction	17,331	-	18,113,841	3,207,074	21,338,246
Intergovernmental:					
Contracted instructional services between schools	83,305,989	-	-	-	83,305,989
Other intergovernmental charges	785,781	-	-	-	785,781
Total expenditures	<u>155,737,301</u>	<u>19,420,127</u>	<u>22,370,501</u>	<u>8,733,514</u>	<u>206,261,443</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,294,239)</u>	<u>4,313,785</u>	<u>(22,119,382)</u>	<u>(4,187,033)</u>	<u>(24,286,869)</u>
OTHER FINANCING SOURCES (USES):					
Payment to refunded bond escrow agent	-	(9,771,048)	-	-	(9,771,048)
Issuance of refunding bonds	-	8,390,000	-	-	8,390,000
Premium on sale of bonds	-	1,544,409	-	-	1,544,409
Proceeds from capital lease	-	-	-	496,561	496,561
Other sources	575,528	-	-	-	575,528
Transfers in	775,009	-	-	-	775,009
Total other financing sources, net	<u>1,350,537</u>	<u>163,361</u>	<u>-</u>	<u>496,561</u>	<u>2,010,459</u>
Net change in fund balances	(943,702)	4,477,146	(22,119,382)	(3,690,472)	(22,276,410)
Fund balances--beginning	29,103,736	20,894,628	40,064,186	16,713,406	106,775,956
Fund balances--ending	<u>\$ 28,160,034</u>	<u>25,371,774</u>	<u>17,944,804</u>	<u>13,022,934</u>	<u>84,499,546</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, 2017

Net change in fund balances - total governmental funds	\$ (22,276,410)
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	24,771,634
Depreciation expense	(9,831,465)
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	201,712
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 income.	
	109,648
Bond, note payable, and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	
Repayment of bond, note and capital lease 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	12,890,000
Issuance of bonds, including premiums	(9,934,409)
Payment to refunded bond escrow agent	9,771,048
Proceeds from capital lease	(496,561)
Repayment of note payable principal	358,277
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	232,942
Change in accretion payable	(23,379)
Amortization of deferred charges on bond refundings	(373,909)
Amortization of bond premiums	1,450,015
Change in compensated absences	(103,235)
Pension contributions made during the measurement year	1,321,097
Change in pension contributions made after the measurement date	39,864
Proportionate share of collective pension expense	(3,929,709)
Adjustment for ending deferred inflows and outflows related to net pension liability	931,132
Change in net position of governmental activities	\$ 5,108,292

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, 2017

	<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	\$ 143,625,382	145,610,796	145,854,502	243,706
State program revenues	7,475,840	7,572,336	7,479,056	(93,280)
Federal program revenues	-	100,000	109,504	9,504
Total revenues	<u>151,101,222</u>	<u>153,283,132</u>	<u>153,443,062</u>	<u>159,930</u>
EXPENDITURES:				
Current:				
Instruction	43,665,575	44,292,949	44,112,999	179,950
Instructional resources and media services	958,564	922,729	912,388	10,341
Curriculum and staff development	1,904,439	2,088,505	2,009,435	79,070
Instructional leadership	1,284,721	1,233,555	1,221,201	12,354
School leadership	3,399,799	3,433,518	3,396,411	37,107
Guidance, counseling, and evaluation services	1,838,988	1,965,994	1,917,779	48,215
Social work services	318,626	274,386	272,618	1,768
Health services	687,269	693,687	677,345	16,342
Student transportation	1,996,851	2,033,056	1,981,334	51,722
Food services	88,652	93,052	91,099	1,953
Extracurricular activities	2,171,351	2,265,626	2,218,663	46,963
General administration	3,008,145	3,179,898	3,060,904	118,994
Facilities maintenance and operations	7,948,542	7,797,756	7,379,165	418,591
Security and monitoring services	501,416	517,401	513,733	3,668
Data processing services	1,599,350	1,715,208	1,634,055	81,153
Community services	195,825	229,269	229,071	198
Facilities acquisition and construction	-	17,331	17,331	-
Intergovernmental:				
Contracted instructional services between schools	81,954,717	83,341,134	83,305,989	35,145
Other intergovernmental charges	815,000	800,086	785,781	14,305
Total expenditures	<u>154,337,830</u>	<u>156,895,140</u>	<u>155,737,301</u>	<u>1,157,839</u>
Deficiency of revenues under expenditures	<u>(3,236,608)</u>	<u>(3,612,008)</u>	<u>(2,294,239)</u>	<u>1,317,769</u>
OTHER FINANCING SOURCES:				
Other sources	-	575,527	575,528	1
Transfers in	1,400,000	1,400,000	775,009	(624,991)
Total other financing sources	<u>1,400,000</u>	<u>1,975,527</u>	<u>1,350,537</u>	<u>(624,990)</u>
Net change in fund balance	<u>(1,836,608)</u>	<u>(1,636,481)</u>	<u>(943,702)</u>	<u>692,779</u>
Fund balance--beginning	<u>29,103,736</u>	<u>29,103,736</u>	<u>29,103,736</u>	<u>-</u>
Fund balance--ending	<u>\$ 27,267,128</u>	<u>27,467,255</u>	<u>28,160,034</u>	<u>692,779</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, 2017

	Business-type Activities- Nonmajor Enterprise Funds	Governmental Activities- Internal Service Fund	Total Proprietary Funds
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 2,412,106	379,899	2,792,005
Other receivables	75,594	-	75,594
Inventories, at cost	34,854	-	34,854
Prepaid items	9,533	-	9,533
Total current assets	<u>2,532,087</u>	<u>379,899</u>	<u>2,911,986</u>
Noncurrent assets-			
Capital assets:			
Land improvements	9,625	-	9,625
Buildings and improvements	174,927	-	174,927
Furniture and equipment	1,684,842	-	1,684,842
Accumulated depreciation	(909,619)	-	(909,619)
Total noncurrent assets	<u>959,775</u>	<u>-</u>	<u>959,775</u>
Total assets	<u>3,491,862</u>	<u>379,899</u>	<u>3,871,761</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	22,318	52,820	75,138
Payroll deductions and withholdings payable	76,182	-	76,182
Accrued wages payable	355,159	-	355,159
Due to other funds	66,253	-	66,253
Unearned revenue	321,752	-	321,752
Total liabilities	<u>841,664</u>	<u>52,820</u>	<u>894,484</u>
NET POSITION:			
Net investment in capital assets	959,775	-	959,775
Unrestricted	<u>1,690,423</u>	<u>327,079</u>	<u>2,017,502</u>
Total net position	<u>\$ 2,650,198</u>	<u>327,079</u>	<u>2,977,277</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, 2017

	Business-type Activities- Nonmajor Enterprise Funds	Governmental Activities- Internal Service Fund	Total Proprietary Funds
Operating revenues-			
Charges for services	\$ 7,815,260	272,244	8,087,504
Operating expenses:			
Payroll costs	4,037,677	-	4,037,677
Professional and contracted services	378,244	31,569	409,813
Supplies and materials	1,900,319	123,015	2,023,334
Other operating	185,735	8,012	193,747
Depreciation	96,736	-	96,736
Total operating expenses	6,598,711	162,596	6,761,307
Operating income	1,216,549	109,648	1,326,197
Nonoperating revenues:			
Investment income	489	-	489
State program revenues	4,291	-	4,291
Federal program revenues	140,077	-	140,077
Total nonoperating revenues	144,857	-	144,857
Income before transfer	1,361,406	109,648	1,471,054
Transfers out	(775,009)	-	(775,009)
Change in net position	586,397	109,648	696,045
Total net position--beginning	2,063,801	217,431	2,281,232
Total net position--ending	\$ 2,650,198	327,079	2,977,277

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, 2017

	Business-type Activities- Nonmajor Enterprise Funds	Governmental Activities- Internal Service Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers/contributors/students	\$ 7,768,173	272,244	8,040,417
Payments to suppliers	(2,487,193)	(109,828)	(2,597,021)
Payments to employees	(3,948,963)	-	(3,948,963)
Net cash provided by operating activities	<u>1,332,017</u>	<u>162,416</u>	<u>1,494,433</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers to other funds	(775,009)	-	(775,009)
State program revenues	4,291	-	4,291
Federal program revenues	84,591	-	84,591
Net cash used in noncapital financing activities	<u>(686,127)</u>	<u>-</u>	<u>(686,127)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES-			
Purchase of capital assets	(44,786)	-	(44,786)
CASH FLOWS FROM INVESTING ACTIVITIES-			
Interest received	489	-	489
Net increase in cash and cash equivalents	601,593	162,416	764,009
Cash and cash equivalents - beginning of the year	1,810,513	217,483	2,027,996
Cash and cash equivalents - end of the year	<u>\$ 2,412,106</u>	<u>379,899</u>	<u>2,792,005</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,216,549	109,648	1,326,197
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	96,736	-	96,736
Federal commodities received	55,486	-	55,486
Decrease in other receivables	26,269	-	26,269
Increase in inventory	(3,085)	-	(3,085)
Increase in prepaid items	(367)	-	(367)
Increase in accounts payable	12,269	52,768	65,037
Increase in payroll deductions and withholdings payable	11,185	-	11,185
Increase in accrued wages payable	77,529	-	77,529
Decrease in due to other funds	(87,198)	-	(87,198)
Decrease in unearned revenue	(73,356)	-	(73,356)
Net cash provided by operating activities	<u>\$ 1,332,017</u>	<u>162,416</u>	<u>1,494,433</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, 2017

	Private Purpose Trust	Agency Funds
ASSETS:		
Cash and cash equivalents	\$ 44,309	769,856
Total assets	\$ 44,309	769,856
 LIABILITIES:		
Accounts payable	\$ -	9,157
Due to student groups	-	757,081
Due to other governments	-	3,572
Due to other funds	-	46
Total liabilities	-	769,856
 NET POSITION-		
Held in trust for private purposes	\$ 44,309	

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, 2017

	Private Purpose Trust
ADDITIONS-	
Investment income	\$ 238
DEDUCTIONS-	
Scholarships provided	500
Change in net position	(262)
Net position--beginning of the year	44,571
Net position--end of the year	\$ 44,309

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, 2017

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 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 balance is 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 programs, 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 is 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, 2017, encumbrances outstanding of approximately \$167,000 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 (reported within cash and cash equivalents), certificates of deposit, commercial paper, and federal agency coupon securities, which are recognized at fair value or amortized cost. External investment pools are recognized at amortized cost as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*. 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, 2017 was \$584,203 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 short-term investments with original stated maturities of less than ninety days.

Fair Value Measurements - The District complies with 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.

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

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.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended June 30, 2021.

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, 2017, the carrying amount of the District's deposits was \$12,268,344 and the bank balance was \$12,511,844.

The District’s deposits with financial institutions at June 30, 2017 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. During the year ended June 30, 2017, there was one instance in which the District’s deposits were not fully collateralized by FDIC insurance or by pledged collateral and thus were exposed to custodial credit risk. This instance was due to the timing of certain payments received by the District in which the bank did not increase the pledged collateral until the next day.

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 \$21,845,742.
- Largest cash, savings and time deposit combined account balance amounted to \$19,822,350 and occurred during the month of April 2017.
- Total amount of FDIC coverage at the time of highest combined balance was \$500,000.

Investments held at June 30, 2017 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor’s Rating
Local Governmental Investment Pools:			
TexPool	\$ 268,530	1	AAAm
Lone Star	89,398,793	1	AAA
TexasDAILY	1,590,761	1	AAAm
Certificates of deposit	6,416,000	208	N/A
Commercial paper	9,990,823	28	N/A
Federal agency coupon securities (Freddie Mac)	5,000,000	303	N/A
Total investments	<u>\$ 112,664,907</u>		

The District had investments in three external local governmental investment pools at June 30, 2017, 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.

In accordance with GASB Statement No. 79, the local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

The District invests excess funds in certificates of deposit, commercial paper, and agency coupon securities. Brokered certificates of deposit, commercial paper, 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.

Commercial paper and federal agency coupon securities are valued using Level 1 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, 2017, investments were included in local governmental investment pools, certificates of deposit, commercial paper, 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, 2017, 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, 2017, the District had 9% of its investment portfolio invested in commercial paper.

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 29 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, commercial paper, and federal agency coupon securities had a weighted average maturity of 208 days, 28 days, and 303 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, 2017, 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, 2016, upon which the October 2016 levy was based, was \$12,347,242,347. 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, 2017, the District was required to pay \$83,305,989 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, 2017 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, 2017.

	General Fund	Nonmajor Governmental Funds	Total
Per Capita entitlement	\$ 809,660	-	809,660
Federal and state grants	-	1,077,440	1,077,440
Other	58,458	-	58,458
Total due from other governments	<u>\$ 868,118</u>	<u>1,077,440</u>	<u>1,945,558</u>
WADA liability	<u>\$ 22,814,609</u>	<u>-</u>	<u>22,814,609</u>
Total due to other governments	<u>\$ 22,814,609</u>	<u>-</u>	<u>22,814,609</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, 2017, was as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Special Revenue	\$ 334,482
General	Nonmajor Enterprise	66,253
General	Nonmajor Capital Projects	13,931
General	Major Capital Projects	290
General	Fiduciary	46
Debt Service	General	23,824
Total		<u>\$ 438,826</u>

During the year, the District transferred \$775,009 from four nonmajor enterprise funds to the General Fund to reimburse the General Fund for administrative and payroll costs.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land and land improvements	\$ 21,215,260	-	-	-	21,215,260
Construction in progress	9,046,042	5,837,734	-	(8,802,043)	6,081,733
Total capital assets, not being depreciated	30,261,302	5,837,734	-	(8,802,043)	27,296,993
Capital assets, being depreciated:					
Buildings and improvements	232,233,044	15,270,555	-	7,949,582	255,453,181
Furniture and equipment	23,986,845	3,663,345	-	852,461	28,502,651
Total capital assets being depreciated	256,219,889	18,933,900	-	8,802,043	283,955,832

Less accumulated depreciation for:					
Buildings and improvements	(104,497,264)	(7,301,775)	-	-	(111,799,039)
Furniture and equipment	<u>(18,150,968)</u>	<u>(2,529,690)</u>	-	-	<u>(20,680,658)</u>
Total accumulated depreciation	<u>(122,648,232)</u>	<u>(9,831,465)</u>	-	-	<u>(132,479,697)</u>
Total capital assets, being depreciated, net	<u>133,571,657</u>	<u>9,102,435</u>	-	<u>8,802,043</u>	<u>151,476,135</u>
Governmental activities capital assets, net	<u>163,832,959</u>	<u>14,940,169</u>	-	-	<u>178,773,128</u>
Business-type activities:					
Land and land improvements	\$ 9,625	-	-	-	9,625
Buildings and improvements	138,191	36,736	-	-	174,927
Furniture and equipment	1,676,792	8,050	-	-	1,684,842
Less accumulated depreciation for:					
Buildings and improvements	(37,341)	(22,308)	-	-	(59,649)
Furniture and equipment	<u>(775,542)</u>	<u>(74,428)</u>	-	-	<u>(849,970)</u>
Total accumulated depreciation	<u>(812,883)</u>	<u>(96,736)</u>	-	-	<u>(909,619)</u>
Business-type activities capital assets, net	<u>\$ 1,011,725</u>	<u>(51,950)</u>	-	-	<u>959,775</u>

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

Governmental activities:

Instruction	\$ 8,378,374
Instructional resources and media services	362,781
Instructional leadership	35,393
School leadership	159,270
Guidance, counseling, and evaluation services	61,938
Health services	29,494
Student transportation	31,461
Food services	168,118
Extracurricular activities	25,562
General administration	105,197
Facilities maintenance and operations	<u>473,877</u>
Total depreciation expense - governmental activities	<u>\$ 9,831,465</u>

Business-type activities:

Community services	\$ 5,446
Food services	<u>91,290</u>
Total depreciation expense - business type activities	<u>\$ 96,736</u>

7. DEFERRED CHARGES ON BOND REFUNDINGS

The following is a summary of deferred charges on bond refundings for the year ended June 30, 2017:

Deferred charges on bond refundings - June 30, 2016	\$ 1,993,426
Additions from Series 2016 refunding	1,336,048
Retirements from Series 2016 refunding	(72,436)
Retirements from Series 2015B refunding	(221,738)
Retirements from Series 2013 refunding	<u>(79,735)</u>
Deferred charges on bond refundings - June 30, 2017	<u>\$ 2,955,565</u>

8. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	Beginning Balance	Additions	Retirements	Ending Balance
General obligation bonds	\$155,960,000	8,390,000	(21,325,000)	143,025,000
Premiums on bonds	13,343,672	1,544,409	(1,450,015)	13,438,066
Accretion payable	760,074	23,379	-	783,453
Capital lease payable	-	496,561	-	496,561
Notes payable	498,634	-	(358,277)	140,357
Compensated absences	480,968	103,235	-	584,203
Total	<u>\$171,043,348</u>	<u>10,557,584</u>	<u>(23,133,292)</u>	<u>158,467,640</u>

Bonded debt consisted of the following at June 30, 2017:

General Obligation Bonds:

Series	Date of Issue	Amounts of Original Issue	Maturity Date	Interest Rate	Outstanding at 6-30-17	Current Portion
2009 Refunding	11-23-09	\$ 19,405,000	2022	4.00%	\$ 15,160,000	\$ 1,410,000
2011 School Building and Refunding	07-26-11	71,035,000	2031	1.875- 5.25%	42,045,000	3,350,000
2013 Refunding	06-27-13	8,590,000	2025	2.00- 3.00%	8,210,000	75,000
2015A School Building	07-28-15	48,080,000	2034	2.00- 5.00%	45,760,000	8,765,000
2015B Refunding	07-28-15	24,005,000	2023	2.00- 5.00%	23,460,000	3,490,000
2016 Refunding	09-21-16	<u>8,390,000</u>	2031	2.00- 4.00%	<u>8,390,000</u>	<u>75,000</u>
Total		<u>\$ 179,505,000</u>			<u>\$143,025,000</u>	<u>\$17,165,000</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 September 21, 2016, the District issued \$8,390,000 of Unlimited Tax Refunding Bonds, Series 2016 to advance refund \$8,435,000 of previously issued District bonds in order to lower its overall debt service requirements. The net proceeds of \$9,774,936 (after payment of \$159,473 in underwriting fees, insurance, and other issuance costs) was deposited as follows: \$9,771,048 with an escrow agent to provide the debt service payment on the portion of bonds advance refunded and \$3,888 in the Debt Service Fund for future principal and interest payments. As a result, \$8,435,000 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 \$1,336,048. 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 \$1,143,000 and resulted in an economic gain of approximately \$1,033,000.

In the current year, 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, 2017, outstanding bonds of \$8,435,000 are considered defeased.

The annual principal installments for each of the outstanding issues vary each year. As of June 30, 2017, the debt service requirements of bonded indebtedness to maturity are as follows:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 17,165,000	5,756,650	22,921,650
2019	13,775,000	5,132,600	18,907,600
2020	14,655,000	4,568,200	19,223,200
2021	15,250,000	3,940,100	19,190,100
2022	15,895,000	3,280,300	19,175,300
2023-2027	38,680,000	10,997,813	49,677,813
2028-2032	24,080,000	3,533,100	27,613,100
2033-2034	3,525,000	154,875	3,679,875
Total	<u>\$143,025,000</u>	<u>37,363,638</u>	<u>180,388,638</u>

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, 2017, all general obligation bonds authorized by voters of the District have been issued.

The District financed the purchase of computer equipment through a capital lease agreement with the vendor. The purchase price of the computer equipment was \$496,561 which equates to the original capital lease principal amount. At June 30, 2017, these assets had accumulated amortization of \$24,828 and a net book value of \$471,733. Under the terms of the capital lease agreement, principal and interest payments are due annually on September 15th through 2019. The effective interest rate on the lease is 2.39%.

Lease payment requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 165,862	5,446	171,308
2019	163,395	7,913	171,308
2020	167,304	4,004	171,308
Total	<u>\$ 496,561</u>	<u>17,363</u>	<u>513,924</u>

Notes Payable - In May 2014, May 2015, and August 2015, the District entered into nine separate 0% interest 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, 2017 was \$140,357 due during the year ended June 30, 2018.

9. UNEARNED REVENUE

At June 30, 2017, unearned revenue in the governmental funds consisted of the following:

	<u>General Fund</u>
Eanes Education Foundation	\$ 2,500,000
Co-curricular fees	276
Other	240,464
Total	<u>\$ 2,740,740</u>

10. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended June 30, 2017, 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	\$140,994,974	23,391,133	-	-	164,386,107
Investment earnings	572,514	109,896	251,119	92,079	1,025,608
Penalties, interest, and other tax related income	561,859	92,534	-	-	654,393
Tuition and fees from patrons	221,260	-	-	-	221,260
Co-curricular student activities	1,108,729	-	-	-	1,108,729
Gifts and donations	2,066,926	-	-	829,886	2,896,812
Other	328,240	140	-	935,890	1,264,270
Total	\$145,854,502	23,593,703	251,119	1,857,855	171,557,179

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 55 through 57.

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>2016</u>	<u>2017</u>
Contribution Rates:		
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2017 District Contributions		\$ 1,405,880
2017 Member Contributions		\$ 4,115,632
2017 NECE On-behalf Contributions		\$ 3,448,371

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

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.50% 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, 2015 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, 2016 are summarized below.

Asset Class	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	100%		8.7%

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

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$ 24,269,248	\$ 15,681,221	\$ 8,396,838

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

At June 30, 2017, the District reported a liability of \$15,681,221 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	\$ 15,681,221
State's proportionate share that is associated with the District	<u>33,818,224</u>
Total	<u>\$ 49,499,445</u>

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

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0415% which was an increase of 0.0045% from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation

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

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, 2017, the District recognized pension expense of \$3,043,496 and revenue of \$3,509,525 for support provided by the State.

At June 30, 2017, 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	\$ 245,879	\$ 468,232
Changes in actuarial assumptions	477,935	434,663
Difference between projected and actual investment earnings	1,327,854	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	5,685,984	819
Contributions paid to TRS subsequent to the measurement date	<u>1,181,687</u>	<u>-</u>
Total	<u>\$ 8,919,339</u>	<u>\$ 903,714</u>

The \$1,181,687 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 30, 2018. 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:	
2018	\$ 1,220,702
2019	1,220,702
2020	2,067,671
2021	1,155,619
2022	881,717
Thereafter	287,527

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 2015–2017.

Contribution Rates:

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2017	.65%	\$ 351,161	1.0%	\$ 540,251	.55%	\$ 297,138
2016	.65%	\$ 331,843	1.0%	\$ 510,528	.55%	\$ 280,791
2015	.65%	\$ 329,861	1.0%	\$ 507,479	.55%	\$ 279,113

15. HEALTH CARE COVERAGE

During the year ended June 30, 2017, employees of the District were covered by a health insurance plan. The District contributed \$473 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, 2017, reimbursements of \$161,017 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, 2017, 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, 2017, 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	\$ 282,265
2030-2034	352,472
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	<u>78,587</u>
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 the 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	<u>271,482</u>
Total	<u>\$ 2,201,132</u>

At June 30, 2017, the District is also committed under construction contracts with a remaining balance of approximately \$7,710,307.

**REQUIRED
SUPPLEMENTARY INFORMATION**

EANES INDEPENDENT SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Teacher Retirement System of Texas
June 30, 2017**

	2016*	2015*	2014*	2013*
District's proportion of the net pension liability	0.0415%	0.0370%	0.0176%	0.0177%
District's proportionate share of the net pension liability	\$ 15,681,221	13,072,609	4,711,113	5,784,860
State's proportionate share of the net pension liability associated with the District	33,818,224	36,291,494	31,802,422	39,038,804
Total	\$ 49,499,445	49,364,103	36,513,535	44,823,664
District's covered-employee payroll (for Measurement Year)	\$ 51,984,296	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	30%	26%	9.34%	12.00%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%	78.17%
Plan's net pension liability as a percentage of covered employee payroll	92.75%	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 *

	2017	2016	2015	2014	2013
Contractually required contributions	\$ 1,405,880	\$ 1,295,836	\$ 1,010,184	\$ 447,400	\$ 427,672
Contributions in relation to the contractual required contributions	1,405,880	1,295,836	1,010,184	447,400	427,672
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 54,415,813	\$ 51,052,365	\$ 50,825,694	\$ 50,056,157	\$ 47,904,262
Contributions as a percentage of covered payroll	2.58%	2.54%	1.99%	0.89%	0.89%
	2012	2011	2010	2009	2008
Contractually required contributions	\$ 365,561	\$ 587,338	\$ 624,506	\$ 570,588	\$ 531,921
Contributions in relation to the contractual required contributions	365,561	587,338	624,506	570,588	531,921
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 39,319,194	\$ 49,456,009	\$ 49,550,868	\$ 47,665,400	\$ 44,498,231
Contributions as a percentage of covered payroll	0.93%	1.19%	1.26%	1.20%	1.20%

* 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, 2017

1. CHANGE IN ASSUMPTIONS

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

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

EANES INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 1,190,916	11,811,296	13,002,212
Due from other governments	1,077,440	-	1,077,440
Total assets	\$ 2,268,356	11,811,296	14,079,652
 LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 43,304	506,590	549,894
Payroll deductions and withholdings payable	19,286	608	19,894
Accrued wages payable	132,021	6,496	138,517
Due to other funds	334,482	13,931	348,413
Total liabilities	529,093	527,625	1,056,718
Fund balances:			
Restricted	-	11,283,671	11,283,671
Committed	531,121	-	531,121
Assigned	1,208,142	-	1,208,142
Total fund balances	1,739,263	11,283,671	13,022,934
Total liabilities and fund balances	\$ 2,268,356	11,811,296	14,079,652

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES:			
Local and intermediate sources	\$ 1,680,147	177,708	1,857,855
State program revenues	597,904	-	597,904
Federal program revenues	2,090,722	-	2,090,722
Total revenues	<u>4,368,773</u>	<u>177,708</u>	<u>4,546,481</u>
EXPENDITURES:			
Current:			
Instruction	2,581,441	232,488	2,813,929
Instructional resources and media services	86,934	1,605	88,539
Curriculum and staff development	380,450	67,815	448,265
Instructional leadership	2,072	-	2,072
School leadership	61,377	1,976	63,353
Guidance, counseling and evaluation services	1,190,081	-	1,190,081
Health services	51,724	-	51,724
Extracurricular activities	273,591	-	273,591
General administration	-	15,894	15,894
Facilities maintenance and operations	1,680	-	1,680
Security and monitoring services	8,439	73,407	81,846
Data processing services	23,484	103,878	127,362
Community services	9,827	-	9,827
Principal payments on long-term debt	358,277	-	358,277
Facilities acquisition and construction	182,202	3,024,872	3,207,074
Total expenditures	<u>5,211,579</u>	<u>3,521,935</u>	<u>8,733,514</u>
Deficiency of revenues under expenditures	(842,806)	(3,344,227)	(4,187,033)
OTHER FINANCING SOURCES-			
Proceeds from capital lease	496,561	-	496,561
Net change in fund balances	(346,245)	(3,344,227)	(3,690,472)
Fund balances--beginning	<u>2,085,508</u>	<u>14,627,898</u>	<u>16,713,406</u>
Fund balances--ending	<u>\$ 1,739,263</u>	<u>11,283,671</u>	<u>13,022,934</u>

EANES INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	<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>Supporting</u> <u>Effective</u> <u>Instruction</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	\$ -	-	489	-	-	-	-
Due from other governments	30,858	111,952	3,228	315,270	579	22,535	8,338
Total assets	<u>\$ 30,858</u>	<u>111,952</u>	<u>3,717</u>	<u>315,270</u>	<u>579</u>	<u>22,535</u>	<u>8,338</u>
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	\$ -	11,051	-	-	-	-	2,500
Payroll deductions and withholdings payable	4,194	12,685	598	-	-	1,731	37
Accrued wages payable	25,575	77,467	3,119	-	-	20,009	5,801
Due to other funds	1,089	10,749	-	315,270	579	795	-
Total liabilities	<u>30,858</u>	<u>111,952</u>	<u>3,717</u>	<u>315,270</u>	<u>579</u>	<u>22,535</u>	<u>8,338</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>\$ 30,858</u>	<u>111,952</u>	<u>3,717</u>	<u>315,270</u>	<u>579</u>	<u>22,535</u>	<u>8,338</u>

(continued)

EANES INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2017

	385	393	397	410
	Visually Impaired	Texas Successful Schools	Advanced Placement Initiatives	State Instructional Materials
ASSETS:				
Cash and cash equivalents	\$ -	15,499	28,257	126,275
Due from other governments	6,000	-	-	578,680
Total assets	<u>\$ 6,000</u>	<u>15,499</u>	<u>28,257</u>	<u>704,955</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ -	-	-	205
Payroll deductions and withholdings payable	-	-	-	-
Accrued wages payable	-	-	-	-
Due to other funds	6,000	-	-	-
Total liabilities	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>205</u>
Fund balances:				
Committed	-	-	-	-
Assigned	-	15,499	28,257	704,750
Total fund balances	<u>-</u>	<u>15,499</u>	<u>28,257</u>	<u>704,750</u>
Total liabilities and fund balances	<u>\$ 6,000</u>	<u>15,499</u>	<u>28,257</u>	<u>704,955</u>

(continued)

EANES INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2017

	429	461	496	499	Total Nonmajor Special Revenue Funds
	Other State	Campus Activity Funds	TASB Loss Prevention	Other Local	
ASSETS:					
Cash and cash equivalents	\$ 297	542,766	4,271	473,062	1,190,916
Due from other governments	-	-	-	-	1,077,440
Total assets	<u>\$ 297</u>	<u>542,766</u>	<u>4,271</u>	<u>473,062</u>	<u>2,268,356</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ -	11,595	-	17,953	43,304
Payroll deductions and withholdings payable	-	-	-	41	19,286
Accrued wages payable	-	50	-	-	132,021
Due to other funds	-	-	-	-	334,482
Total liabilities	<u>-</u>	<u>11,645</u>	<u>-</u>	<u>17,994</u>	<u>529,093</u>
Fund balances:					
Committed	-	531,121	-	-	531,121
Assigned	<u>297</u>	<u>-</u>	<u>4,271</u>	<u>455,068</u>	<u>1,208,142</u>
Total fund balances	<u>297</u>	<u>531,121</u>	<u>4,271</u>	<u>455,068</u>	<u>1,739,263</u>
Total liabilities and fund balances	<u>\$ 297</u>	<u>542,766</u>	<u>4,271</u>	<u>473,062</u>	<u>2,268,356</u>

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2017

	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 Supporting Effective Instruction State Grants	263 English Language Acquisition State Grants
REVENUES:							
Local and intermediate sources	\$ -	-	-	-	-	-	-
State program revenues	-	-	-	-	-	-	-
Federal program revenues	181,708	1,246,167	21,170	442,619	45,782	134,960	18,316
Total revenues	<u>181,708</u>	<u>1,246,167</u>	<u>21,170</u>	<u>442,619</u>	<u>45,782</u>	<u>134,960</u>	<u>18,316</u>
EXPENDITURES:							
Current:							
Instruction	181,708	413,238	21,170	405,557	41,189	134,960	10,452
Instructional resources and media services	-	-	-	-	-	-	-
Curriculum and staff development	-	18,841	-	-	1,593	-	7,356
Instructional leadership	-	1,622	-	-	-	-	-
School leadership	-	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	799,018	-	-	3,000	-	508
Health services	-	13,448	-	37,062	-	-	-
Extracurricular activities	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-	-
Security and monitoring services	-	-	-	-	-	-	-
Data processing services	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-
Principal payments on long-term debt	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Total expenditures	<u>181,708</u>	<u>1,246,167</u>	<u>21,170</u>	<u>442,619</u>	<u>45,782</u>	<u>134,960</u>	<u>18,316</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	-	-
Other financing sources - Proceeds from capital lease	-	-	-	-	-	-	-
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>

(continued)

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended June 30, 2017

	385	393	397	410
	Visually Impaired	Texas Successful Schools	Advanced Placement Initiatives	State Instructional Materials
REVENUES:				
Local and intermediate sources	\$ -	-	-	-
State program revenues	6,000	-	-	590,125
Federal program revenues	-	-	-	-
Total revenues	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>590,125</u>
EXPENDITURES:				
Current:				
Instruction	4,800	-	-	870,698
Instructional resources and media services	-	-	-	13,477
Curriculum and staff development	-	-	-	53,262
Instructional leadership	-	-	-	450
School leadership	-	-	-	-
Guidance, counseling and evaluation services	-	-	-	-
Health services	1,200	-	-	-
Extracurricular activities	-	-	-	-
Facilities maintenance and operations	-	-	-	-
Security and monitoring services	-	-	-	-
Data processing services	-	-	-	-
Community services	-	-	-	-
Principal payments on long-term debt	-	-	-	358,277
Facilities acquisition and construction	-	-	-	-
Total expenditures	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>1,296,164</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(706,039)
Other financing sources -				
Proceeds from capital lease	-	-	-	496,561
Net change in fund balances	-	-	-	(209,478)
Beginning fund balances	-	15,499	28,257	914,228
Ending fund balances	<u>\$ -</u>	<u>15,499</u>	<u>28,257</u>	<u>704,750</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, 2017

	429	461	496	499	Total Nonmajor Special Revenue Funds
	Other State	Campus Activity Funds	TASB Loss Prevention	Other Local	
REVENUES:					
Local and intermediate sources	\$ -	850,261	-	829,886	1,680,147
State program revenues	-	-	1,779	-	597,904
Federal program revenues	-	-	-	-	2,090,722
Total revenues	-	850,261	1,779	829,886	4,368,773
EXPENDITURES:					
Current:					
Instruction	-	75,479	-	422,190	2,581,441
Instructional resources and media services	-	66,597	-	6,860	86,934
Curriculum and staff development	-	244,725	-	54,673	380,450
Instructional leadership	-	-	-	-	2,072
School leadership	-	49,671	-	11,706	61,377
Guidance, counseling and evaluation services	-	383,881	-	3,674	1,190,081
Health services	-	14	-	-	51,724
Extracurricular activities	-	17,195	-	256,396	273,591
Facilities maintenance and operations	-	-	-	1,680	1,680
Security and monitoring services	-	320	770	7,349	8,439
Data processing services	-	23,484	-	-	23,484
Community services	-	500	-	9,327	9,827
Principal payments on long-term debt	-	-	-	-	358,277
Facilities acquisition and construction	-	-	-	182,202	182,202
Total expenditures	-	861,866	770	956,057	5,211,579
Excess (deficiency) of revenues over (under) expenditures	-	(11,605)	1,009	(126,171)	(842,806)
Other financing sources -					
Proceeds from capital lease	-	-	-	-	496,561
Net change in fund balances	-	(11,605)	1,009	(126,171)	(346,245)
Beginning fund balances	297	542,726	3,262	581,239	2,085,508
Ending fund balances	\$ 297	531,121	4,271	455,068	1,739,263

EANES INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2017

	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	\$ 217,707	1,223,881	4,015,567	1,510,047	4,844,094	11,811,296
Total assets	<u>\$ 217,707</u>	<u>1,223,881</u>	<u>4,015,567</u>	<u>1,510,047</u>	<u>4,844,094</u>	<u>11,811,296</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable	\$ 169,789	248,969	-	87,832	-	506,590
Payroll deductions and withholdings payable	-	608	-	-	-	608
Accrued wages payable	-	6,496	-	-	-	6,496
Due to other funds	-	13,931	-	-	-	13,931
Total liabilities	<u>169,789</u>	<u>270,004</u>	<u>-</u>	<u>87,832</u>	<u>-</u>	<u>527,625</u>
Fund balances-						
Restricted	47,918	953,877	4,015,567	1,422,215	4,844,094	11,283,671
Total fund balances	<u>47,918</u>	<u>953,877</u>	<u>4,015,567</u>	<u>1,422,215</u>	<u>4,844,094</u>	<u>11,283,671</u>
Total liabilities and fund balances	<u>\$ 217,707</u>	<u>1,223,881</u>	<u>4,015,567</u>	<u>1,510,047</u>	<u>4,844,094</u>	<u>11,811,296</u>

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Capital Projects Funds
Year Ended June 30, 2017

	660	661	690	691	692	Total
	Resources from	Resources from	Resources from	Resources from	Resources from	Nonmajor
	Series 2006	Series 2011	River Hills	Donations for	Baldwin	Capital
	Bonds	Bonds	Land Sale	Local Field	Land Sale	Projects
	Funds			Improvements		Funds
REVENUES-						
Local and intermediate sources	\$ 3,344	89,990	31,959	13,863	38,552	177,708
Total revenues	<u>3,344</u>	<u>89,990</u>	<u>31,959</u>	<u>13,863</u>	<u>38,552</u>	<u>177,708</u>
EXPENDITURES:						
Current:						
Instruction	-	232,488	-	-	-	232,488
Instructional resources and media services	-	1,605	-	-	-	1,605
Curriculum and staff development	-	67,815	-	-	-	67,815
School leadership	-	1,976	-	-	-	1,976
General administration	-	15,894	-	-	-	15,894
Security and monitoring services	-	73,407	-	-	-	73,407
Data processing services	-	103,878	-	-	-	103,878
Facilities acquisition and construction	738,480	1,694,838	-	591,554	-	3,024,872
Total expenditures	<u>738,480</u>	<u>2,191,901</u>	<u>-</u>	<u>591,554</u>	<u>-</u>	<u>3,521,935</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(735,136)</u>	<u>(2,101,911)</u>	<u>31,959</u>	<u>(577,691)</u>	<u>38,552</u>	<u>(3,344,227)</u>
Net change in fund balances	<u>(735,136)</u>	<u>(2,101,911)</u>	<u>31,959</u>	<u>(577,691)</u>	<u>38,552</u>	<u>(3,344,227)</u>
Fund balances--beginning	<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>
Fund balances--ending	<u>\$ 47,918</u>	<u>953,877</u>	<u>4,015,567</u>	<u>1,422,215</u>	<u>4,844,094</u>	<u>11,283,671</u>

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2017

	701	711	712	713	715	Total Nonmajor Enterprise Funds
	Child Nutrition	Community Education	Child Development Center	Easy Care After School	Facility Rentals	
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ -	426,324	395,107	977,540	613,135	2,412,106
Other receivables	-	-	-	-	75,594	75,594
Inventories, at cost	34,854	-	-	-	-	34,854
Prepaid items	-	9,533	-	-	-	9,533
Total current assets	<u>34,854</u>	<u>435,857</u>	<u>395,107</u>	<u>977,540</u>	<u>688,729</u>	<u>2,532,087</u>
Noncurrent assets-						
Capital assets:						
Land improvements	-	-	-	-	9,625	9,625
Buildings and improvements	138,191	-	36,736	-	-	174,927
Furniture and equipment	1,625,345	59,497	-	-	-	1,684,842
Accumulated depreciation	<u>(846,542)</u>	<u>(59,497)</u>	<u>(3,580)</u>	<u>-</u>	<u>-</u>	<u>(909,619)</u>
Total noncurrent assets	<u>916,994</u>	<u>-</u>	<u>33,156</u>	<u>-</u>	<u>9,625</u>	<u>959,775</u>
Total assets	<u>951,848</u>	<u>435,857</u>	<u>428,263</u>	<u>977,540</u>	<u>698,354</u>	<u>3,491,862</u>
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ 12,926	7,443	242	1,128	579	22,318
Payroll deductions and withholdings payable	53,016	295	18,373	4,201	297	76,182
Accrued wages payable	166,730	60,004	104,395	21,211	2,819	355,159
Due to other funds	66,243	10	-	-	-	66,253
Unearned revenue	259,000	49,950	10,142	2,660	-	321,752
Total liabilities	<u>557,915</u>	<u>117,702</u>	<u>133,152</u>	<u>29,200</u>	<u>3,695</u>	<u>841,664</u>
NET POSITION:						
Net investment in capital assets	916,994	-	33,156	-	9,625	959,775
Unrestricted	<u>(523,061)</u>	<u>318,155</u>	<u>261,955</u>	<u>948,340</u>	<u>685,034</u>	<u>1,690,423</u>
Total net position	<u>\$ 393,933</u>	<u>318,155</u>	<u>295,111</u>	<u>948,340</u>	<u>694,659</u>	<u>2,650,198</u>

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds
Year Ended June 30, 2017

	701	711	712	713	715	Total Nonmajor Enterprise Funds
	<u>Child Nutrition</u>	<u>Community Education</u>	<u>Child Development Center</u>	<u>Easy Care After School</u>	<u>Facility Rentals</u>	
Operating revenues-						
Charges for services	\$ 3,623,650	868,576	1,498,272	892,168	932,594	7,815,260
Operating expenses:						
Payroll costs	1,716,949	375,592	1,410,857	335,175	199,104	4,037,677
Professional and contracted services	88,295	244,980	5,177	3,581	36,211	378,244
Supplies and materials	1,804,667	44,617	34,702	13,820	2,513	1,900,319
Other operating	92,866	25,314	24,525	42,922	108	185,735
Depreciation	91,290	1,866	3,580	-	-	96,736
Total operating expenses	<u>3,794,067</u>	<u>692,369</u>	<u>1,478,841</u>	<u>395,498</u>	<u>237,936</u>	<u>6,598,711</u>
Operating income (loss)	<u>(170,417)</u>	<u>176,207</u>	<u>19,431</u>	<u>496,670</u>	<u>694,658</u>	<u>1,216,549</u>
Nonoperating revenues:						
Investment income	489	-	-	-	-	489
State program revenues	4,291	-	-	-	-	4,291
Federal program revenues	<u>140,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,077</u>
Total nonoperating revenues	<u>144,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,857</u>
Income (loss) before transfers	(25,560)	176,207	19,431	496,670	694,658	1,361,406
Transfers in	-	-	-	495,004	-	495,004
Transfers out	<u>-</u>	<u>(43,333)</u>	<u>(538,337)</u>	<u>(43,334)</u>	<u>(645,009)</u>	<u>(1,270,013)</u>
Change in net position	(25,560)	132,874	(518,906)	948,340	49,649	586,397
Total net position--beginning	<u>419,493</u>	<u>185,281</u>	<u>814,017</u>	<u>-</u>	<u>645,010</u>	<u>2,063,801</u>
Total net position--ending	<u>\$ 393,933</u>	<u>318,155</u>	<u>295,111</u>	<u>948,340</u>	<u>694,659</u>	<u>2,650,198</u>

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2017

	701	711	712	713	715	Total Nonmajor Enterprise Funds
	Child Nutrition	Community Education	Child Development Center	Easy Care After School	Facility Rentals	
Cash flows from operating activities:						
Receipts from customers/contributors	\$ 3,618,053	878,088	1,472,164	894,828	905,040	7,768,173
Payments to suppliers	(2,009,001)	(313,868)	(65,997)	(59,195)	(39,132)	(2,487,193)
Payments to employees	(1,690,373)	(339,821)	(1,408,581)	(309,763)	(200,425)	(3,948,963)
Net cash provided by (used in) operating activities	(81,321)	224,399	(2,414)	525,870	665,483	1,332,017
Cash flows from noncapital financing activities:						
Transfer from other funds	-	-	-	495,004	-	495,004
Transfer to other funds	-	(43,333)	(538,337)	(43,334)	(645,009)	(1,270,013)
State program revenues	4,291	-	-	-	-	4,291
Federal program revenues	84,591	-	-	-	-	84,591
Net cash provided by (used in) noncapital financing activities	88,882	(43,333)	(538,337)	451,670	(645,009)	(686,127)
Cash flows from capital and related financing activities-						
Purchase of capital assets	(8,050)	-	(36,736)	-	-	(44,786)
Cash flows from investing activities-						
Interest received	489	-	-	-	-	489
Net change in cash and cash equivalents	-	181,066	(577,487)	977,540	20,474	601,593
Cash and cash equivalents—beginning of the year	-	245,258	972,594	-	592,661	1,810,513
Cash and cash equivalents—end of the year	\$ -	426,324	395,107	977,540	613,135	2,412,106
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (170,417)	176,207	19,431	496,670	694,658	1,216,549
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	91,290	1,866	3,580	-	-	96,736
Federal commodities received	55,486	-	-	-	-	55,486
Decrease (increase) in other receivables	-	-	53,823	-	(27,554)	26,269
Increase in inventory	(3,085)	-	-	-	-	(3,085)
Increase in prepaid items	-	(367)	-	-	-	(367)
Increase (decrease) in accounts payable	11,627	1,407	(1,593)	1,128	(300)	12,269
Increase (decrease) in payroll deductions and withholdings payable	6,666	(49)	1,123	4,201	(756)	11,185
Increase (decrease) in accrued wages payable	19,910	35,820	1,153	21,211	(565)	77,529
Increase (decrease) in due to other funds	(87,201)	3	-	-	-	(87,198)
Increase (decrease) in unearned revenue	(5,597)	9,512	(79,931)	2,660	-	(73,356)
Net cash provided by (used in) operating activities	\$ (81,321)	224,399	(2,414)	525,870	665,483	1,332,017

EANES INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Debt Service Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Local and intermediate sources	\$ 23,147,847	23,391,330	23,593,703	202,373
State program revenues	152,270	152,270	140,209	(12,061)
Total revenues	<u>23,300,117</u>	<u>23,543,600</u>	<u>23,733,912</u>	<u>190,312</u>
EXPENDITURES:				
Principal on long-term debt	18,493,000	12,890,000	12,890,000	-
Interest on long-term debt	6,525,988	6,349,378	6,349,378	-
Other debt service expenditures	250,000	409,474	180,749	228,725
Total expenditures	<u>25,268,988</u>	<u>19,648,852</u>	<u>19,420,127</u>	<u>228,725</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,968,871)</u>	<u>3,894,748</u>	<u>4,313,785</u>	<u>419,037</u>
OTHER FINANCING SOURCES (USES):				
Payment to refunded bond escrow agent	-	(9,771,048)	(9,771,048)	-
Issuance of refunding bonds	-	8,390,000	8,390,000	-
Premium on sale of bonds	-	1,544,408	1,544,409	1
Total other financing sources, net	<u>-</u>	<u>163,360</u>	<u>163,361</u>	<u>1</u>
Net change in fund balance	<u>(1,968,871)</u>	<u>4,058,108</u>	<u>4,477,146</u>	<u>419,038</u>
Fund balance--beginning	<u>20,894,628</u>	<u>20,894,628</u>	<u>20,894,628</u>	<u>-</u>
Fund balance--ending	<u>\$ 18,925,757</u>	<u>24,952,736</u>	<u>25,371,774</u>	<u>419,038</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Local and intermediate sources	\$ 3,760,500	3,760,500	3,624,139	(136,361)
State program revenues	5,000	5,000	4,291	(709)
Federal program revenues	150,000	150,000	140,077	(9,923)
Total revenues	<u>3,915,500</u>	<u>3,915,500</u>	<u>3,768,507</u>	<u>(146,993)</u>
EXPENSES:				
Food services	3,685,987	3,685,987	3,569,997	115,990
Facilities maintenance and operations	231,500	231,500	224,070	7,430
Total expenses	<u>3,917,487</u>	<u>3,917,487</u>	<u>3,794,067</u>	<u>123,420</u>
Change in net position	(1,987)	(1,987)	(25,560)	(23,573)
Total net position--beginning	<u>419,493</u>	<u>419,493</u>	<u>419,493</u>	<u>-</u>
Total net position--ending	<u>\$ 417,506</u>	<u>417,506</u>	<u>393,933</u>	<u>(23,573)</u>

OTHER SCHEDULES

EANES INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Year Ended June 30, 2017

Last Ten Years Ended June 30*	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 6/30/2016	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 6/30/2017
	Maintenance	Debt Service							
2008 and earlier	Various	Various	Various	\$ 1,089,550	-	(2,623)	5,658	(21,925)	1,064,590
2009	1.0400	0.1625	8,823,427,049	115,440	-	37,945	5,929	(677)	70,889
2010	1.0400	0.1625	8,911,089,447	118,235	-	38,166	5,963	(719)	73,387
2011	1.0400	0.1625	8,423,512,913	168,470	-	42,831	6,692	(718)	118,229
2012	1.0400	0.1725	8,453,820,341	121,966	-	90,661	15,037	58,459	74,727
2013	1.0400	0.1725	8,768,038,358	156,913	-	98,749	16,379	57,381	99,166
2014	1.0400	0.1725	9,223,025,771	176,264	-	99,673	16,532	52,800	112,859
2015	1.0400	0.1725	10,150,514,818	231,553	-	129,894	21,545	49,825	129,939
2016	1.0400	0.1725	11,142,016,675	851,299	-	390,402	64,754	(194,228)	201,915
2017	1.0400	0.1725	12,347,242,347	-	165,168,104	140,069,276	23,232,644	(869,037)	997,147
Totals				\$ 3,029,690	165,168,104	140,994,974	23,391,133	(868,839)	2,942,848

* 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, 2017

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	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 funds?	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.	\$ 783,453
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 15,681,221
SF13	Pension Expense (6147) at fiscal year-end.	\$ 3,043,496

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the 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 17, 2017



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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, 2017. 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 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"

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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, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on 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 17, 2017

EANES INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed Through Texas Education Agency:</u>			
Title I Grants to Local Educational Agencies	84.010A	16610101227909	\$ 2,668
Title I Grants to Local Educational Agencies	84.010A	17610101227909	179,040
Total CFDA Number 84.010A			181,708
Special Education Cluster:			
Special Education Grants to States (IDEA - Part B, Formula)	84.027A	166600012279096600	14,820
Special Education Grants to States (IDEA - Part B, Formula)	84.027A	176600012279096600	1,231,347
Special Education Grants to States (IDEA - Part B, Discretionary Residential)	84.027A	176600122279096677	124,374
Special Education Grants to States (IDEA - Part B, High Cost Risk Pool)	84.027A	16660006227909	2,975
Special Education Grants to States (IDEA - Part B, High Cost Risk Pool)	84.027A	176600062279096680	315,270
Total CFDA Number 84.027A			1,688,786
Special Education Preschool Grants (IDEA - Part B, Preschool)	84.173A	176610012279096610	21,170
Total for Special Education Cluster			1,709,956
Career and Technical Education - Basic Grants to States	84.048A	17420006227909	45,782
English Language Acquisition State Grants	84.365A	16671001227909	4,593
English Language Acquisition State Grants	84.365A	17671001227909	13,723
Total CFDA Number 84.365A			18,316
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	16694501227909	1,303
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	17694501227909	133,657
Total CFDA Number 84.367A			134,960
Total Passed Through Texas Education Agency			2,090,722
TOTAL DEPARTMENT OF EDUCATION			2,090,722
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster:			
<u>Passed Through Texas Education Agency-</u>			
National School Lunch Program	10.555	71300901	84,591
<u>Passed Through the Texas Department of Human Services-</u>			
Non-cash assistance - Food Distribution Program	10.555	71300901	55,486
Total CFDA Number 10.555			140,077
Total Child Nutrition Cluster			140,077
TOTAL DEPARTMENT OF AGRICULTURE			140,077
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,230,799

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, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Eanes Independent School District (the "District") under programs of the federal government for the year ended June 30, 2017. 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 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.

Valuation of Non-cash Programs

The District values revenues and expenditures for the Food Distribution Program based on the value of commodities received.

EANES INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2017

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, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings required to be reported in accordance with *Government Auditing Standards* for the years ended June 30, 2017 and June 30, 2016.

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 years ended June 30, 2017 and June 30, 2016.