

**EANES INDEPENDENT  
SCHOOL DISTRICT**

**Annual Financial Report  
for the Fiscal Year Ended  
June 30, 2018**



# EANES INDEPENDENT SCHOOL DISTRICT

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**CERTIFICATE OF BOARD**

Eanes Independent School District      Travis      227909  
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, 2018 at a meeting of the Board of Trustees of such school district on the 23<sup>rd</sup> day of October, 2018.

Christie Bypu

Signature of Board Secretary

Jeff Dalen

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**



MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

tel (512) 370 3200 fax (512) 370 3250

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

## **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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **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, 2018, 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.

### **Emphasis of Matter**

As described in Note 1 and Note 18 to the financial statements, for the year ended June 30, 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, resulting in a restatement of the District's net position as of June 30, 2017. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability, the schedule of District contributions - pensions, the schedule of the District's proportionate share of the net OPEB liability, the schedule of District contributions - OPEB, and the note to the required supplementary information on pages 6 through 14, 58, 59, 60, 61, and 62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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, 2018

# 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, 2018. Please read it in conjunction with the District’s financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

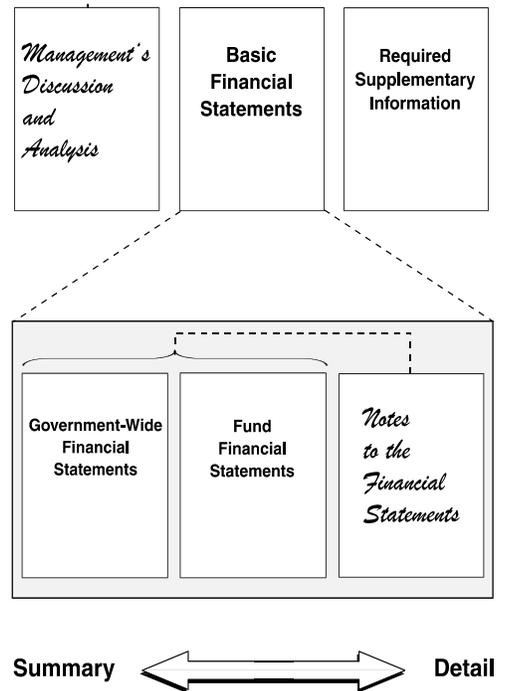
- The District’s total combined net position was \$66.3 million at June 30, 2018, an increase of \$10.2 million from the prior year, as restated. In other words, during the year ended June 30, 2018, the District generated \$10.2 million more in taxes and other revenues than the \$199.8 million in expenses for governmental and business-type activities.
- The General Fund reported a fund balance at June 30, 2018 of \$25.9 million which is a \$2.3 million decrease from the prior year. Of the total General Fund fund balance, \$23.0 million or 89% is considered unassigned fund balance and may be used to meet the District’s ongoing obligations.
- On December 21, 2017, the District issued \$8,725,000 of Unlimited Tax Refunding Bonds, Series 2017 to advance refund \$8,845,000 of previously issued District bonds in order to lower its overall debt service requirements.
- For the year ended June 30, 2018, the District adopted Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard resulted in a prior period adjustment to net position of \$45,375,704 to recognize the net other post-employment benefits (“OPEB”) liability at the measurement period ending August 31, 2016, and the deferred outflows of resources related to the District’s contributions after the measurement period ending August 31, 2016 through June 30, 2017.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District’s 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 and OPEB 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>	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<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>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses &amp; changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
<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 \$66.3 million as of June 30, 2018 (see Table A-1).

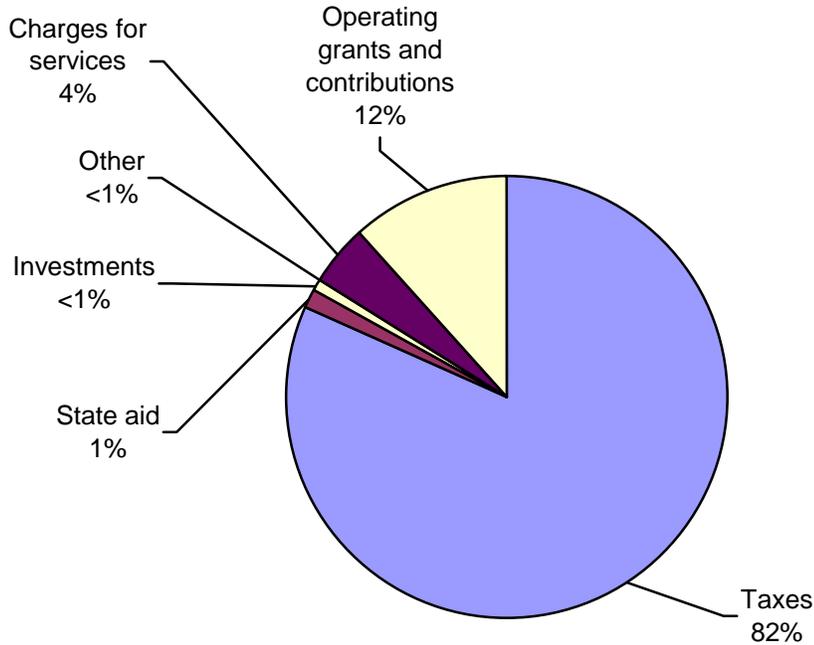
**Table A-1**  
The District's Net Position  
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	
Current and other assets	\$ 105.3	124.9	\$ 2.0	2.5	\$ 107.3	127.4	(15.8%)
Capital and non-current	181.0	178.8	0.9	0.9	181.9	179.7	1.2%
Total assets	286.3	303.7	2.9	3.4	289.2	307.1	(5.8%)
Deferred outflows	11.2	11.9	-	-	11.2	11.9	(5.9%)
Current liabilities	55.2	59.2	0.7	0.8	55.9	60.0	(6.8%)
Non-current liabilities	165.2	156.7	-	-	165.2	156.7	5.4%
Total liabilities	220.4	215.9	0.7	0.8	221.1	216.7	2.0%
Deferred inflows	13.0	0.9	-	-	13.0	0.9	1,344.4%
Net position:							
Net investment in capital assets	53.2	44.3	0.9	0.9	54.1	45.2	19.7%
Restricted	29.3	33.2	-	-	29.3	33.2	(11.7%)
Unrestricted	(18.4)	21.3	1.3	1.7	(17.1)	23.0	(174.3%)
Total net position	64.1	98.8	2.2	2.6	66.3	101.4	(34.6%)
Prior period adjustment	-	(45.4)	-	-	-	(45.4)	100.0%
Total net position, as restated	\$ 64.1	53.4	\$ 2.2	2.6	\$ 66.3	56.0	18.4%

**Net position** - Net investment in capital assets reflects the book value of the District's capital assets and is \$54.1 million more than the debt which financed those assets.

**Changes in net position** - The District's total revenues were \$210 million. A significant portion, 82 percent, of the District's revenue comes from taxes (See Figure A-3); 1 percent comes from state aid - formula grants, 4 percent relates to charges for services, and 12 percent comes from operating grants and contributions.

**Figure A-3  
Sources of Revenue for  
the Year Ended June 30, 2018**



### **Governmental Activities**

Property tax rates have decreased since last year to \$1.200 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 \$6.2 million in tax revenues to approximately \$171.5 million for the year ended June 30, 2018, up from approximately \$165.2 million in 2017. Overall, the District's net position increased by approximately \$10.2 million during the year ended June 30, 2018 compared to an increase of approximately \$5.7 million for the year ended June 30, 2017. Key elements of these changes are as follows: increase in net position for fiscal year ending June 30, 2018 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
	2018	2017	2018	2017	2018	2017	
<u>Program revenues:</u>							
Charges for services	\$ 1.3	1.3	\$ 7.9	7.8	\$ 9.2	9.1	1.1%
Operating grants and contributions	24.2	10.8	0.2	0.2	24.4	11.0	121.8%
<u>General revenues:</u>							
Property taxes	171.5	165.2	-	-	171.5	165.2	3.8%
State aid formula grants	2.8	4.0	-	-	2.8	4.0	(30.0%)
Investment earnings and other	2.1	1.5	-	-	2.1	1.5	40.0%
Total revenues	201.9	182.8	8.1	8.0	210.0	190.8	10.1%
<u>Expenses:</u>							
Instruction	60.9	57.3	-	-	60.9	57.3	6.3%
Instructional resources and media services	1.5	1.4	-	-	1.5	1.4	7.1%
Student support services	17.6	16.7	4.1	3.8	21.7	20.5	5.9%
General administration	3.5	3.3	-	-	3.5	3.3	6.1%
Support services	11.0	10.3	-	-	11.0	10.3	6.8%
Community services	0.3	0.2	2.6	2.8	2.9	3.0	(3.3%)
Interest on long-term debt and other debt service	4.5	5.2	-	-	4.5	5.2	(13.5%)
Contracted instructional services between schools	93.0	83.3	-	-	93.0	83.3	11.6%
Other	0.8	0.8	-	-	0.8	0.8	0.0%
Total expenses	193.1	178.5	6.7	6.6	199.8	185.1	7.9%
Transfers	1.9	0.8	(1.9)	(0.8)	-	-	0.0%
Change in net position	\$ 10.7	5.1	\$ (0.5)	0.6	\$ 10.2	5.7	78.9%

The cost of all *governmental* activities for the year ended June 30, 2018 was \$193.1 million. However, the amount that our taxpayers paid for these activities through property taxes was only \$171.5 million. Some of the cost was paid by those who directly benefited from the programs (\$1.3 million) or by grants and contributions (\$24.2 million). The total cost of all programs and services (including business-type activities) was \$199.8 million; 31 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, 2018 and 2017, 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		
	2018	2017	% Change	2018	2017	% Change
Instruction	\$ 60.9	\$ 57.3	6.3%	\$ 43.7	\$ 49.5	(11.7%)
School leadership	3.9	3.7	5.4%	3.0	3.5	(14.3%)
Guidance, counseling, and evaluation services	3.5	3.2	9.4%	1.7	1.9	(10.5%)
General administration	3.5	3.3	6.1%	2.9	3.1	(6.5%)
Interest on long-term debt and other debt service	4.5	5.2	(13.5%)	4.5	5.2	(13.5%)
Facilities maintenance and operations	8.4	7.9	6.3%	7.5	7.7	(2.6%)
Contracted instructional services between schools	93.0	83.3	11.6%	93.0	83.3	11.6%

**Business-type Activities**

Revenues of the District’s business-type activities increased to \$8.1 million from \$8.0 million. For the Child Nutrition Fund, revenues decreased by approximately \$56,000 while expenses increased by approximately \$20,000, which resulted in a decrease in net position of approximately \$102,000 compared to a decrease last year of approximately \$26,000. The remaining business-type revenues increased by approximately \$164,000 and expenses increased by approximately \$45,000 or 1.6 percent. Coupled with net transfers out of approximately \$1,900,000, this resulted in a decrease in net position for the remaining business-type funds of approximately \$368,000.

**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

Revenues from governmental funds totaled \$188.4 million, an increase of 3.5 percent from the preceding year. The \$7.1 million increase in local revenues is a result of an increase in property taxes received due to increasing property values of the District. State and federal revenues decreased by \$914 thousand from the preceding year due to a decrease 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 \$640 thousand below final budget amounts for the General Fund. The most significant positive variance resulted from facilities maintenance and operations. Overall, resources available at the end of the year were approximately \$682,000 more than the final budgeted amounts.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2018, the District had \$181.9 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 \$2.2 million or 1.2 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
	2018	2017	2018	2017	2018	2017	
Land and land improvements	\$ 21.2	\$ 21.2	\$ -	\$ -	\$ 21.2	\$ 21.2	0.0%
Construction in progress	3.3	6.1	-	-	3.3	6.1	(45.9%)
Buildings and improvements	268.8	255.4	0.1	0.1	268.9	255.5	5.2%
Furniture and equipment	31.1	28.6	1.8	1.7	32.9	30.3	8.6%
Totals at historical cost	324.4	311.3	1.9	1.8	326.3	313.1	4.2%
Accumulated depreciation	(143.4)	(132.5)	(1.0)	(0.9)	(144.4)	(133.4)	8.2%
Net capital assets	<u>\$ 181.0</u>	<u>\$ 178.8</u>	<u>\$ 0.9</u>	<u>\$ 0.9</u>	<u>\$ 181.9</u>	<u>\$ 179.7</u>	<u>1.2%</u>

### Long Term Debt

At June 30, 2018, the District had \$139.5 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
	2018	2017	
Bonds, premiums, and accretion payable	\$ 138.5	\$ 157.2	(11.9%)
Notes payable	0.1	0.1	(0.0%)
Compensated absences	0.6	0.6	0.0%
Capital lease payable	0.3	0.5	(40.0%)
Total long-term debt	<u>\$ 139.5</u>	<u>\$ 158.4</u>	<u>(11.9%)</u>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Certified net taxable property value increased for tax year 2018 to \$13.7 billion, an increase of 4.6 percent.
- Estimated recapture of tax revenues through the purchase of attendance credits is \$101.8 million for 2019, up from \$93 million in 2018.
- The General Fund budget for operating expenditures per student is approximately \$9,300 per pupil for 2019. Recapture expenditures are estimated at approximately \$11,500 per student.
- The District is anticipating a slight increase in enrollment and average daily attendance for 2019.

These indicators were taken into account when adopting the General Fund budget for 2019. In the original approved budget, estimated revenues for 2019 are approximately \$177.0 million. Expenditures of approximately \$178.8 million are budgeted, including \$101.8 million for recapture. If these original estimates are realized, the District's budgetary fund balance is expected to decrease approximately \$1.8 million.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

**EANES INDEPENDENT SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2018**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 91,150,157	1,978,169	93,128,326
Temporary investments	11,300,387	-	11,300,387
Receivables:			
Property taxes - delinquent	3,107,461	-	3,107,461
Allowance for uncollectible taxes	(2,128,145)	-	(2,128,145)
Due from other governments	1,350,214	-	1,350,214
Internal balances	185,458	(185,458)	-
Due from fiduciary funds	666	-	666
Other receivables	49,874	103,791	153,665
Inventories, at cost	74,863	38,515	113,378
Prepaid items	182,953	9,914	192,867
Capital assets (net of accumulated depreciation):			
Land and land improvements	21,215,260	9,625	21,224,885
Construction in progress	3,265,788	-	3,265,788
Buildings and improvements	148,935,677	115,278	149,050,955
Furniture and equipment	7,572,898	806,219	8,379,117
Total assets	<u>286,263,511</u>	<u>2,876,053</u>	<u>289,139,564</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred charges on bond refundings	3,426,131	-	3,426,131
Pension contributions after measurement date	1,263,815	-	1,263,815
Deferred outflows related to pension liability	6,201,616	-	6,201,616
OPEB contributions after measurement date	345,251	-	345,251
Deferred outflows related to OPEB liability	4,045	-	4,045
Total deferred outflows of resources	<u>11,240,858</u>	<u>-</u>	<u>11,240,858</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	3,051,598	18,499	3,070,097
Payroll deductions and withholdings payable	747,470	71,886	819,356
Accrued wages payable	6,393,735	348,476	6,742,211
Due to other governments	25,995,852	-	25,995,852
Unearned revenue	2,572,215	256,323	2,828,538
Bond interest payable	2,207,995	-	2,207,995
Bonds payable	14,005,000	-	14,005,000
Notes payable	135,206	-	135,206
Capital lease payable	163,395	-	163,395
Noncurrent liabilities:			
Bonds payable	123,673,510	-	123,673,510
Accretion payable	807,467	-	807,467
Compensated absences	602,852	-	602,852
Capital lease payable	167,304	-	167,304
Net pension liability	14,093,471	-	14,093,471
Net OPEB liability	25,842,771	-	25,842,771
Total liabilities	<u>220,459,841</u>	<u>695,184</u>	<u>221,155,025</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred inflows related to pension liability	2,155,274	-	2,155,274
Deferred inflows related to OPEB liability	10,810,079	-	10,810,079
Total deferred inflows of resources	<u>12,965,353</u>	<u>-</u>	<u>12,965,353</u>
<b>NET POSITION:</b>			
Net investment in capital assets	53,210,157	931,122	54,141,279
Restricted for:			
Debt service	19,532,956	-	19,532,956
Authorized construction	9,741,809	-	9,741,809
Unrestricted	(18,405,747)	1,249,747	(17,156,000)
Total net position	<u>\$ 64,079,175</u>	<u>2,180,869</u>	<u>66,260,044</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, 2018**

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	\$ 60,851,280	202,457	16,983,285	(43,665,538)	-	(43,665,538)
Instructional resources and media services	1,512,921	-	322,972	(1,189,949)	-	(1,189,949)
Curriculum and staff development	2,377,888	-	623,830	(1,754,058)	-	(1,754,058)
Instructional leadership	1,394,949	-	324,404	(1,070,545)	-	(1,070,545)
School leadership	3,935,994	-	948,318	(2,987,676)	-	(2,987,676)
Guidance, counseling, and evaluation services	3,521,940	-	1,794,437	(1,727,503)	-	(1,727,503)
Social work services	220,607	-	55,440	(165,167)	-	(165,167)
Health services	873,042	-	229,275	(643,767)	-	(643,767)
Student transportation	2,360,924	-	528,572	(1,832,352)	-	(1,832,352)
Food services	386,931	-	26,997	(359,934)	-	(359,934)
Extracurricular activities	2,500,917	1,076,453	300,138	(1,124,326)	-	(1,124,326)
General administration	3,536,793	-	654,729	(2,882,064)	-	(2,882,064)
Facilities maintenance and operations	8,408,822	-	925,613	(7,483,209)	-	(7,483,209)
Security and monitoring services	559,230	-	58,690	(500,540)	-	(500,540)
Data processing services	2,008,482	-	327,559	(1,680,923)	-	(1,680,923)
Community services	288,498	-	74,377	(214,121)	-	(214,121)
Interest on long-term debt	4,365,984	-	-	(4,365,984)	-	(4,365,984)
Other debt service	178,543	-	-	(178,543)	-	(178,543)
Facilities acquisition and construction	433	-	-	(433)	-	(433)
Contracted instructional services between schools	92,983,573	-	-	(92,983,573)	-	(92,983,573)
Other intergovernmental charges	818,535	-	-	(818,535)	-	(818,535)
<b>Total governmental activities</b>	<b>\$ 193,086,286</b>	<b>1,278,910</b>	<b>24,178,636</b>	<b>(167,628,740)</b>	<b>-</b>	<b>(167,628,740)</b>
Business-type activities:						
Food services	\$ 3,814,476	3,559,772	152,639	-	(102,065)	(102,065)
Community services	2,849,912	4,355,149	-	-	1,505,237	1,505,237
<b>Total business-type activities</b>	<b>\$ 6,664,388</b>	<b>7,914,921</b>	<b>152,639</b>	<b>-</b>	<b>1,403,172</b>	<b>1,403,172</b>
<b>Total primary government</b>	<b>\$ 199,750,674</b>	<b>9,193,831</b>	<b>24,331,275</b>	<b>(167,628,740)</b>	<b>1,403,172</b>	<b>(166,225,568)</b>
General revenues:						
Property taxes, levied for general purposes				\$ 151,496,459	-	151,496,459
Property taxes, levied for debt service				19,985,838	-	19,985,838
State aid formula grants				2,821,759	-	2,821,759
Investment earnings				1,605,867	498	1,606,365
Miscellaneous				523,154	-	523,154
Transfers				1,872,999	(1,872,999)	-
<b>Total general revenues and other</b>				<b>178,306,076</b>	<b>(1,872,501)</b>	<b>176,433,575</b>
Change in net position				10,677,336	(469,329)	10,208,007
Net position - beginning, as restated				53,401,839	2,650,198	56,052,037
<b>Net position - ending</b>				<b>\$ 64,079,175</b>	<b>2,180,869</b>	<b>66,260,044</b>

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

**EANES INDEPENDENT SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 56,761,054	16,578,561	17,504,651	90,844,266
Temporary investments	3,805,837	4,994,550	2,500,000	11,300,387
Receivables:				
Property taxes - delinquent	2,690,538	416,923	-	3,107,461
Allowance for uncollectible taxes	(1,829,253)	(298,892)	-	(2,128,145)
Due from other governments	545,119	-	805,095	1,350,214
Due from other funds	389,183	49,809	3,797	442,789
Other receivables	45,138	-	4,736	49,874
Inventories, at cost	74,863	-	-	74,863
Prepaid items	182,450	-	503	182,953
Total assets	<u>\$ 62,664,929</u>	<u>21,740,951</u>	<u>20,818,782</u>	<u>105,224,662</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 374,154	-	2,666,968	3,041,122
Payroll deductions and withholdings payable	727,591	-	19,879	747,470
Accrued wages payable	6,212,521	-	181,214	6,393,735
Due to other governments	25,995,852	-	-	25,995,852
Due to other funds	53,606	-	203,059	256,665
Unearned revenue	2,572,215	-	-	2,572,215
Total liabilities	<u>35,935,939</u>	<u>-</u>	<u>3,071,120</u>	<u>39,007,059</u>
Deferred inflows of resources-				
Deferred revenue - property taxes	861,285	118,031	-	979,316
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Inventories	74,863	-	-	74,863
Prepaid items	182,450	-	503	182,953
<b>Restricted for:</b>				
Debt service	-	21,622,920	-	21,622,920
Authorized construction	-	-	16,214,722	16,214,722
<b>Committed to-</b>				
Campus activities	-	-	533,113	533,113
<b>Assigned to:</b>				
2018-19 budget deficit	1,813,680	-	-	1,813,680
Compensated absences	602,852	-	-	602,852
Encumbered for 2018-19	241,827	-	-	241,827
Special revenue funds	-	-	999,324	999,324
Unassigned	22,952,033	-	-	22,952,033
Total fund balances	<u>25,867,705</u>	<u>21,622,920</u>	<u>17,747,662</u>	<u>65,238,287</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 62,664,929</u>	<u>21,740,951</u>	<u>20,818,782</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	180,989,623
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	979,316
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	295,415
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	(137,678,510)
Less: Deferred charges on bond refundings	3,426,131
Interest payable	(2,207,995)
Accretion payable	(807,467)
Notes payable	(135,206)
Capital lease payable	(330,699)
Compensated absences	(602,852)
Net pension liability	(14,093,471)
Net OPEB liability	(25,842,771)
Pension contributions after measurement date	1,263,815
Deferred outflows related to pension liability	6,201,616
Deferred inflows related to pension liability	(2,155,274)
OPEB contributions after measurement date	345,251
Deferred outflows related to OPEB liability	4,045
Deferred inflows related to OPEB liability	(10,810,079)
Net position of governmental activities	<u>\$ 64,079,175</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, 2018**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Local and intermediate sources	\$ 156,810,730	20,224,888	1,636,102	178,671,720
State program revenues	6,555,883	135,725	611,999	7,303,607
Federal program revenues	59,508	-	2,366,683	2,426,191
Total revenues	<u>163,426,121</u>	<u>20,360,613</u>	<u>4,614,784</u>	<u>188,401,518</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	45,349,064	-	3,650,292	48,999,356
Instructional resources and media services	932,892	-	106,653	1,039,545
Curriculum and staff development	2,009,421	-	218,046	2,227,467
Instructional leadership	1,252,966	-	-	1,252,966
School leadership	3,403,486	-	71,869	3,475,355
Guidance, counseling, and evaluation services	2,009,374	-	1,281,346	3,290,720
Social work services	203,095	-	-	203,095
Health services	739,927	-	40,583	780,510
Student transportation	2,151,547	-	359,215	2,510,762
Food services	190,698	-	-	190,698
Extracurricular activities	2,232,517	-	216,847	2,449,364
General administration	3,192,501	-	20,035	3,212,536
Facilities maintenance and operations	7,632,656	-	46,289	7,678,945
Security and monitoring services	508,039	-	166,786	674,825
Data processing services	1,683,392	-	1,005,530	2,688,922
Community services	258,061	-	10,150	268,211
Debt service:				
Principal on long-term debt	-	18,500,000	286,541	18,786,541
Interest on long-term debt	-	5,599,542	5,361	5,604,903
Other debt service expenditures	-	178,543	-	178,543
Facilities acquisition and construction	40,000	-	10,464,845	10,504,845
Intergovernmental:				
Contracted instructional services between schools	92,983,573	-	-	92,983,573
Other intergovernmental charges	818,535	-	-	818,535
Total expenditures	<u>167,591,744</u>	<u>24,278,085</u>	<u>17,950,388</u>	<u>209,820,217</u>
Deficiency of revenues under expenditures	<u>(4,165,623)</u>	<u>(3,917,472)</u>	<u>(13,335,604)</u>	<u>(21,418,699)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Payment to refunded bond escrow agent	-	(9,749,563)	-	(9,749,563)
Issuance of refunding bonds	-	8,725,000	-	8,725,000
Premium on sale of bonds	-	1,193,181	-	1,193,181
Issuance of notes payable	-	-	115,528	115,528
Other sources	295	-	-	295
Transfers in	1,872,999	-	-	1,872,999
Total other financing sources, net	<u>1,873,294</u>	<u>168,618</u>	<u>115,528</u>	<u>2,157,440</u>
Net change in fund balances	<u>(2,292,329)</u>	<u>(3,748,854)</u>	<u>(13,220,076)</u>	<u>(19,261,259)</u>
Fund balances--beginning	<u>28,160,034</u>	<u>25,371,774</u>	<u>30,967,738</u>	<u>84,499,546</u>
Fund balances--ending	<u>\$ 25,867,705</u>	<u>21,622,920</u>	<u>17,747,662</u>	<u>65,238,287</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, 2018**

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Net change in fund balances - total governmental funds \$ (19,261,259)

Amounts reported for *governmental activities* 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	13,193,401
Depreciation expense	(10,976,906)

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	76,667
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The revenues and expenses of the Internal Service Fund are distributed in the statement of net activities and it is not considered a governmental fund.

The difference is the amount of operating loss.	(31,664)
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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	18,500,000
Issuance of bonds, including premiums	(9,918,181)
Payment to refunded bond escrow agent	9,749,563
Proceeds from note payable	(115,528)
Repayment of capital lease principal	165,862
Repayment of note payable principal	120,679

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	339,193
Change in accretion payable	(24,014)
Amortization of deferred charges on bond refundings	(433,997)
Amortization of bond premiums	1,357,737
Change in compensated absences	(18,649)
Pension contributions made during the measurement year	1,444,589
OPEB contributions made during the measurement year	308,964
Change in pension contributions made after the measurement date	82,128
Change in OPEB contributions made after the measurement date	96,849
Proportionate share of collective pension expense	143,161
Proportionate share of collective OPEB expense	19,472,371
Adjustment for ending deferred inflows and outflows related to net pension liability	(2,787,596)
Adjustment for ending deferred inflows and outflows related to net OPEB liability	(10,806,034)

Change in net position of governmental activities	\$ 10,677,336
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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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Local and intermediate sources	\$ 153,160,536	156,708,312	156,810,730	102,418
State program revenues	6,094,462	6,448,878	6,555,883	107,005
Federal program revenues	50,000	50,000	59,508	9,508
Total revenues	<u>159,304,998</u>	<u>163,207,190</u>	<u>163,426,121</u>	<u>218,931</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	44,012,341	45,350,262	45,349,064	1,198
Instructional resources and media services	912,219	938,823	932,892	5,931
Curriculum and staff development	1,946,145	2,051,414	2,009,421	41,993
Instructional leadership	1,230,567	1,274,309	1,252,966	21,343
School leadership	3,337,559	3,435,988	3,403,486	32,502
Guidance, counseling, and evaluation services	1,979,652	2,042,632	2,009,374	33,258
Social work services	273,067	214,295	203,095	11,200
Health services	682,758	763,480	739,927	23,553
Student transportation	2,055,160	2,177,020	2,151,547	25,473
Food services	94,005	190,711	190,698	13
Extracurricular activities	2,140,796	2,248,887	2,232,517	16,370
General administration	3,148,149	3,278,189	3,192,501	85,688
Facilities maintenance and operations	8,107,473	7,894,790	7,632,656	262,134
Security and monitoring services	550,692	538,545	508,039	30,506
Data processing services	1,650,280	1,701,680	1,683,392	18,288
Community services	206,987	259,354	258,061	1,293
Facilities acquisition and construction	-	45,000	40,000	5,000
Intergovernmental:				
Contracted instructional services between schools	92,545,330	93,007,607	92,983,573	24,034
Other intergovernmental charges	815,000	819,000	818,535	465
Total expenditures	<u>165,688,180</u>	<u>168,231,986</u>	<u>167,591,744</u>	<u>640,242</u>
Deficiency of revenues under expenditures	<u>(6,383,182)</u>	<u>(5,024,796)</u>	<u>(4,165,623)</u>	<u>859,173</u>
<b>OTHER FINANCING SOURCES:</b>				
Other sources	-	-	295	295
Transfers in	2,074,077	2,050,500	1,872,999	(177,501)
Total other financing sources	<u>2,074,077</u>	<u>2,050,500</u>	<u>1,873,294</u>	<u>(177,206)</u>
Net change in fund balance	(4,309,105)	(2,974,296)	(2,292,329)	681,967
Fund balance--beginning	<u>28,160,034</u>	<u>28,160,034</u>	<u>28,160,034</u>	<u>-</u>
Fund balance--ending	<u>\$ 23,850,929</u>	<u>25,185,738</u>	<u>25,867,705</u>	<u>681,967</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, 2018**

	<b>Business-type Activities- Nonmajor Enterprise Funds</b>	<b>Governmental Activities- Internal Service Fund</b>	<b>Total Proprietary Funds</b>
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 1,978,169	305,891	2,284,060
Other receivables	103,791	-	103,791
Inventories, at cost	38,515	-	38,515
Prepaid items	9,914	-	9,914
Total current assets	<u>2,130,389</u>	<u>305,891</u>	<u>2,436,280</u>
Noncurrent assets-			
Capital assets:			
Land improvements	9,625	-	9,625
Buildings and improvements	174,927	-	174,927
Furniture and equipment	1,752,903	-	1,752,903
Accumulated depreciation	<u>(1,006,333)</u>	<u>-</u>	<u>(1,006,333)</u>
Total noncurrent assets	<u>931,122</u>	<u>-</u>	<u>931,122</u>
Total assets	<u>3,061,511</u>	<u>305,891</u>	<u>3,367,402</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	18,499	10,476	28,975
Payroll deductions and withholdings payable	71,886	-	71,886
Accrued wages payable	348,476	-	348,476
Due to other funds	185,458	-	185,458
Unearned revenue	<u>256,323</u>	<u>-</u>	<u>256,323</u>
Total liabilities	<u>880,642</u>	<u>10,476</u>	<u>891,118</u>
<b>NET POSITION:</b>			
Net investment in capital assets	931,122	-	931,122
Unrestricted	<u>1,249,747</u>	<u>295,415</u>	<u>1,545,162</u>
Total net position	<u>\$ 2,180,869</u>	<u>295,415</u>	<u>2,476,284</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, 2018**

	<b>Business-type Activities- Nonmajor Enterprise Funds</b>	<b>Governmental Activities- Internal Service Fund</b>	<b>Total Proprietary Funds</b>
<b>Operating revenues-</b>			
Charges for services	\$ 7,914,921	224,639	8,139,560
<b>Operating expenses:</b>			
Payroll costs	4,139,124	-	4,139,124
Professional and contracted services	389,388	56,758	446,146
Supplies and materials	1,956,325	199,545	2,155,870
Other operating	82,837	-	82,837
Depreciation	96,714	-	96,714
Total operating expenses	6,664,388	256,303	6,920,691
Operating income (loss)	1,250,533	(31,664)	1,218,869
<b>Nonoperating revenues:</b>			
Investment income	498	-	498
State program revenues	4,473	-	4,473
Federal program revenues	148,166	-	148,166
Total nonoperating revenues	153,137	-	153,137
Income (Loss) before transfer	1,403,670	(31,664)	1,372,006
Transfers out	(1,872,999)	-	(1,872,999)
Change in net position	(469,329)	(31,664)	(500,993)
Total net position--beginning	2,650,198	327,079	2,977,277
Total net position--ending	\$ 2,180,869	295,415	2,476,284

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, 2018**

	<b>Business-type Activities- Nonmajor Enterprise Funds</b>	<b>Governmental Activities- Internal Service Fund</b>	<b>Total Proprietary Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers/contributors/students	\$ 7,821,295	224,639	8,045,934
Payments to suppliers	(2,261,468)	(298,647)	(2,560,115)
Payments to employees	(4,150,103)	-	(4,150,103)
Net cash provided by (used in) operating activities	<u>1,409,724</u>	<u>(74,008)</u>	<u>1,335,716</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers to other funds	(1,872,999)	-	(1,872,999)
State program revenues	4,473	-	4,473
Federal program revenues	92,428	-	92,428
Net cash used in noncapital financing activities	<u>(1,776,098)</u>	<u>-</u>	<u>(1,776,098)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES-</b>			
Purchase of capital assets	(68,061)	-	(68,061)
<b>CASH FLOWS FROM INVESTING ACTIVITIES-</b>			
Interest received	498	-	498
Net decrease in cash and cash equivalents	(433,937)	(74,008)	(507,945)
Cash and cash equivalents - beginning of the year	2,412,106	379,899	2,792,005
Cash and cash equivalents - end of the year	<u>\$ 1,978,169</u>	<u>305,891</u>	<u>2,284,060</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ 1,250,533	(31,664)	1,218,869
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	96,714	-	96,714
Federal commodities received	55,738	-	55,738
Increase in other receivables	(28,197)	-	(28,197)
Increase in inventory	(3,661)	-	(3,661)
Increase in prepaid items	(381)	-	(381)
Decrease in accounts payable	(3,819)	(42,344)	(46,163)
Decrease in payroll deductions and withholdings payable	(4,296)	-	(4,296)
Decrease in accrued wages payable	(6,683)	-	(6,683)
Increase in due to other funds	119,205	-	119,205
Decrease in unearned revenue	(65,429)	-	(65,429)
Net cash provided by (used in) operating activities	<u>\$ 1,409,724</u>	<u>(74,008)</u>	<u>1,335,716</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, 2018**

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	<b>Private Purpose Trust</b>	<b>Agency Funds</b>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 54,385	907,687
Total assets	\$ 54,385	907,687
 <b>LIABILITIES:</b>		
Accounts payable	\$ -	6,767
Due to student groups	-	896,682
Due to other governments	-	3,572
Due to other funds	-	666
Total liabilities	-	907,687
 <b>NET POSITION-</b>		
Held in trust for private purposes	\$ 54,385	

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, 2018**

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	<b>Private Purpose Trust</b>
<b>ADDITIONS-</b>	
Investment income	\$ 10,576
<b>DEDUCTIONS-</b>	
Scholarships provided	500
Change in net position	10,076
Net position--beginning of the year	44,309
Net position--end of the year	\$ 54,385

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, 2018

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### 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.

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 and the Debt Service Fund on the modified accrual basis and for the Child Nutrition Fund (an Enterprise Fund) on the 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, 2018, encumbrances outstanding of approximately \$242,000 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 local government investment pools (reported within cash and cash equivalents), treasury bill discounts, commercial paper, money markets, and federal agency coupon securities, which are recognized at fair value or amortized cost. External local government investment pools are recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External 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, 2018 was \$602,852 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.

Other Post-Employment Benefits - The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The fiduciary net position of the TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net other post-employment benefits (“OPEB”) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care’s fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

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, 13 and 14 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 inputs 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 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, 2018, the carrying amount of the District's deposits was \$1,267,951 and the bank balance was \$1,477,008.

The District's deposits with financial institutions at June 30, 2018 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, 2018, there were several instances 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. These instances were 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 \$34,683,093.
- Largest cash, savings and time deposit combined account balance amounted to \$27,817,416 and occurred during the month of February 2018.
- Total amount of FDIC coverage at the time of highest combined balance was \$500,000.

Investments held at June 30, 2018 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local Governmental Investment Pools:			
TexPool	\$ 271,535	1	AAAm
Lone Star	89,536,493	1	AAA
TexasDAILY	3,014,419	1	AAAm
Money market	3,307,941	1	N/A
Treasury bill discounts	497,896	5	N/A
Commercial paper	4,994,550	19	N/A
Federal agency coupon securities (Freddie Mac)	<u>2,500,000</u>	38	N/A
Total investments	<u>\$ 104,122,834</u>		

The District had investments in three external local governmental investment pools at June 30, 2018, 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 external 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 money markets, treasury bill discounts, commercial paper, and agency coupon securities. Brokered certificates of deposit, money markets, treasury bill discounts, 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, treasury bill discounts, money markets, 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.

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, 2018, investments were included in external local governmental investment pools, money markets, 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, 2018, 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, 2018, the District was not exposed to concentration of credit risk.

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 55 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 money market, commercial paper, and federal agency coupon securities had a weighted average maturity of 1 day, 18 days, and 38 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, 2018, 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, 2017, upon which the October 2017 levy was based, was \$13,068,122,738. The District levied taxes based on a combined tax rate of \$1.20 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, 2018, the District was required to pay \$92,983,573 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, 2018 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, 2018.

	General Fund	Nonmajor Governmental Funds	Total
Per Capita entitlement	\$ 495,799	-	495,799
Federal and state grants	-	805,095	805,095
Other	49,320	-	49,320
Total due from other governments	<u>\$ 545,119</u>	<u>805,095</u>	<u>1,350,214</u>
WADA liability	<u>\$ 25,995,852</u>	<u>-</u>	<u>25,995,852</u>
Total due to other governments	<u>\$ 25,995,852</u>	<u>-</u>	<u>25,995,852</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, 2018, was as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Special Revenue	\$ 200,277
General	Nonmajor Enterprise	185,458
General	Nonmajor Capital Projects	2,782
General	Fiduciary	666
Nonmajor Capital Projects	General	3,797
Debt Service	General	49,809
Total		<u>\$ 442,789</u>

During the year, the District transferred \$1,872,999 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, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land and land improvements	\$ 21,215,260	-	-	-	21,215,260
Construction in progress	6,081,733	2,070,638	-	(4,886,583)	3,265,788
Total capital assets, not being depreciated	<u>27,296,993</u>	<u>2,070,638</u>	<u>-</u>	<u>(4,886,583)</u>	<u>24,481,048</u>
Capital assets, being depreciated:					
Buildings and improvements	255,453,181	8,504,040	-	4,886,583	268,843,804
Furniture and equipment	28,502,651	2,618,723	-	-	31,121,374
Total capital assets being depreciated	<u>283,955,832</u>	<u>11,122,763</u>	<u>-</u>	<u>4,886,583</u>	<u>299,965,178</u>

<b>Less accumulated depreciation for:</b>					
Buildings and improvements	(111,799,039)	(8,109,088)	-	-	(119,908,127)
Furniture and equipment	<u>(20,680,658)</u>	<u>(2,867,818)</u>	-	-	<u>(23,548,476)</u>
Total accumulated depreciation	<u>(132,479,697)</u>	<u>(10,976,906)</u>	-	-	<u>(143,456,603)</u>
Total capital assets, being depreciated, net	<u>151,476,135</u>	<u>145,857</u>	-	<u>4,886,583</u>	<u>156,508,575</u>
Governmental activities capital assets, net	<u>178,773,128</u>	<u>2,216,495</u>	-	-	<u>180,989,623</u>
<b>Business-type activities:</b>					
Land and land improvements	\$ 9,625	-	-	-	9,625
Buildings and improvements	174,927	-	-	-	174,927
Furniture and equipment	1,684,842	68,061	-	-	1,752,903
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	(59,649)	(22,412)	-	-	(82,061)
Furniture and equipment	<u>(849,970)</u>	<u>(74,302)</u>	-	-	<u>(924,272)</u>
Total accumulated depreciation	<u>(909,619)</u>	<u>(96,714)</u>	-	-	<u>(1,006,333)</u>
Business-type activities capital assets, net	<u>\$ 959,775</u>	<u>(28,653)</u>	-	-	<u>931,122</u>

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

**Governmental activities:**

Instruction	\$ 9,354,518
Instructional resources and media services	405,048
Instructional leadership	39,517
School leadership	177,826
Guidance, counseling, and evaluation services	69,155
Health services	32,931
Student transportation	35,126
Food services	187,705
Extracurricular activities	28,540
General administration	117,453
Facilities maintenance and operations	<u>529,087</u>
Total depreciation expense - governmental activities	<u>\$ 10,976,906</u>

**Business-type activities:**

Community services	\$ 3,684
Food services	<u>93,030</u>
Total depreciation expense - business type activities	<u>\$ 96,714</u>

## 7. DEFERRED CHARGES ON BOND REFUNDINGS

The following is a summary of deferred charges on bond refundings for the year ended June 30, 2018:

Deferred charges on bond refundings - June 30, 2017	\$ 2,955,565
Additions from Series 2017 refunding	904,563
Retirements from Series 2017 refunding	(35,943)
Retirements from Series 2016 refunding	(96,582)
Retirements from Series 2015B refunding	(221,738)
Retirements from Series 2013 refunding	(79,734)
	<hr/>
Deferred charges on bond refundings - June 30, 2018	<u>\$ 3,426,131</u>

## 8. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	Beginning Balance	Additions	Retirements	Ending Balance
General obligation bonds	\$143,025,000	8,725,000	(27,345,000)	124,405,000
Premiums on bonds	13,438,066	1,193,181	(1,357,737)	13,273,510
Accretion payable	783,453	24,014	-	807,467
Capital lease payable	496,561	-	(165,862)	330,699
Notes payable	140,357	115,528	(120,679)	135,206
Compensated absences	584,203	18,649	-	602,852
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$158,467,640</u>	<u>10,076,372</u>	<u>(28,989,278)</u>	<u>139,554,734</u>

Current portion of long-term liabilities at June 30, 2018 is as follows:

General obligation bonds	\$ 14,005,000
Capital lease payable	163,395
Notes payable	135,206
	<hr/>
Total	<u>\$ 14,303,601</u>

Bonded debt consisted of the following at June 30, 2018:

General Obligation Bonds:

Series	Date of Issue	Amounts of Original Issue	Maturity Date	Interest Rate	Outstanding at 6-30-18	Current Portion
2009 Refunding	11-23-09	\$ 19,405,000	2022	4.00%	\$ 13,750,000	\$ 4,015,000
2011 School Building and Refunding	07-26-11	71,035,000	2031	1.875-5.25%	29,850,000	3,445,000
2013 Refunding	06-27-13	8,590,000	2025	2.00-3.00%	8,135,000	75,000
2015A School Building	07-28-15	48,080,000	2033	2.00-5.00%	35,660,000	2,525,000
2015B Refunding	07-28-15	24,005,000	2023	2.00-5.00%	19,970,000	3,685,000
2016 Refunding	09-21-16	8,390,000	2031	2.00-4.00%	8,315,000	30,000
2017 Refunding	12-21-17	<u>8,725,000</u>	2031	2.00-4.00%	<u>8,725,000</u>	<u>230,000</u>
Total		<u>\$188,230,000</u>			<u>\$124,405,000</u>	<u>\$14,005,000</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 \$0.14.

On December 21, 2017, the District issued \$8,725,000 of Unlimited Tax Refunding Bonds, Series 2017 to advance refund \$8,845,000 of previously issued District bonds in order to lower its overall debt service requirements. The net proceeds of \$9,751,166 (after payment of \$167,015 in underwriting fees, insurance, and other issuance costs) was deposited as follows: \$9,749,563 with an escrow agent to provide the debt service payment on the portion of bonds advance refunded and \$1,603 in the Debt Service Fund for future principal and interest payments. As a result, \$8,845,000 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 \$904,563. 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 \$1,318,000 and resulted in an economic gain of approximately \$1,138,000.

In the current and prior years, the District defeased certain outstanding general obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all the future debt service payments on the old bonds. Accordingly, the trust account assets and the defeased bonds are not included in the District's financial statements. At June 30, 2018, outstanding bonds of \$17,280,000 are considered defeased.

The annual principal installments for each of the outstanding issues vary each year. As of June 30, 2018, the debt service requirements of bonded indebtedness to maturity are as follows:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 14,005,000	4,996,063	19,001,063
2020	14,655,000	4,395,988	19,050,988
2021	15,250,000	3,767,888	19,017,888
2022	15,895,000	3,108,088	19,003,088
2023	11,145,000	2,549,788	13,694,788
2024-2028	32,520,000	8,759,381	41,279,381
2029-2033	20,935,000	2,014,450	22,949,450
Total	<u>\$124,405,000</u>	<u>29,591,646</u>	<u>153,996,646</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, 2018, 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, 2018, these assets had accumulated amortization of \$124,140 and a net book value of \$372,421. 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
2019	\$ 163,395	7,913	171,308
2020	167,304	4,004	171,308
Total	<u>\$ 330,699</u>	<u>11,917</u>	<u>342,616</u>

**Notes Payable** - In May 2015, August 2015, and July 2017 the District entered into seven 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 2018. Required principal payments on the notes payable at June 30, 2018 was \$135,206 due during the year ended June 30, 2019.

## 9. UNEARNED REVENUE

At June 30, 2018, unearned revenue in the governmental funds consisted of the following:

	<u>General Fund</u>
Eanes Education Foundation	\$ 2,500,000
Other	72,215
Total	<u>\$ 2,572,215</u>

## 10. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended June 30, 2018, revenues from local and intermediate sources in the governmental funds consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Property taxes	\$151,010,712	19,945,985	-	170,956,697
Investment earnings	1,072,201	222,210	311,456	1,605,867
Penalties, interest, and other tax related income	392,241	56,693	-	448,934
Tuition and fees from patrons	202,458	-	-	202,458
Co-curricular student activities	1,076,453	-	-	1,076,453
Gifts and donations	2,561,926	-	601,377	3,163,303
Other	494,739	-	723,269	1,218,008
Total	<u>\$156,810,730</u>	<u>20,224,888</u>	<u>1,636,102</u>	<u>178,671,720</u>

## 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 17. 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 Executive Director 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 65 through 67.

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 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act ("GAA") established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>th</sup> Texas Legislature GAA established the employer contributions rates for fiscal years 2016 and 2017.

	2017	2018
Contribution Rates:		
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FY 2018 District Contributions		\$ 1,506,638
FY 2018 Member Contributions		\$ 4,244,642
FY 2018 NECE On-behalf Contributions		\$ 3,019,103

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, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
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, 2017 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%
Stable Value Hedge Funds	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 2017 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$ 23,758,808	\$ 14,093,471	\$ 6,045,510

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

At June 30, 2018, the District reported a liability of \$14,093,471 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	\$ 14,093,471
State’s proportionate share that is associated with the District	<u>28,271,338</u>
Total	<u>\$ 42,364,809</u>

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

At August 31, 2017 the employer’s proportion of the collective net pension liability was 0.0441% which was an increase of 0.0026% from its proportion measured as of August 31, 2016.

**Changes Since the Prior Actuarial Valuation**

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

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, 2018, the District recognized pension expense of \$2,624,356 and revenue of \$2,156,425 for support provided by the State.

At June 30, 2018, 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	\$ 206,194	\$ 760,042
Changes in actuarial assumptions	641,980	367,519
Difference between projected and actual investment earnings	-	1,027,102
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	5,353,442	611
Contributions paid to TRS subsequent to the measurement date	<u>1,263,815</u>	<u>-</u>
Total	<u>\$ 7,465,431</u>	<u>\$ 2,155,274</u>

The \$1,263,815 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, 2019. 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:	
2019	\$ 770,162
2020	1,669,785
2021	701,033
2022	414,609
2023	404,153
Thereafter	86,600

#### **14. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

##### **Plan Description**

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

## OPEB Plan Fiduciary Net Position

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

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

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

TRS-Care Plan Premium Rates  
Effective September 1, 2016 - December 31, 2017

	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

*\*or surviving spouse*

## Contributions

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.0% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>2017</u>	<u>2018</u>
Contribution Rates:		
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
FY 2018 District Contributions		\$ 395,299
FY 2018 Member Contributions		\$ 358,442
FY 2018 NECE On-behalf Contributions		\$ 680,968

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

### **Actuarial Assumptions**

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

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

#### Additional Actuarial Methods and Assumptions:

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

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

#### **Discount Rate**

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2017.

Best estimates of geometric real rates of return for each major asset class included in TRS target asset allocation as of August 31, 2017 are summarized below.

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio 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%
Stable Value Hedge Funds	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.

### Sensitivity Analysis

*Discount Rate* - The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the 2017 Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the net OPEB liability	\$ 30,500,885	\$ 25,842,771	\$ 22,098,697

*Healthcare Cost Trend Rates* - The following schedule shows the impact of the Net OPEB Liability if the healthcare cost trend rates used were 1% less than and 1% greater than the healthcare cost trend rates that was used in measuring the 2017 Net OPEB Liability.

	1% Decrease in Healthcare Cost Trend Rates	Current Healthcare Cost Trend Rates	1% Increase in Healthcare Cost Trend Rates
	<u>                    </u>	<u>                    </u>	<u>                    </u>
District's proportionate share of the net OPEB liability	\$ 21,516,688	\$ 25,842,771	\$ 31,519,136

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the District reported a liability of \$25,842,771 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 25,842,771
State's proportionate share that is associated with the District	<u>44,307,983</u>
Total	<u>\$ 70,150,754</u>

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

At August 31, 2017 the employer's proportion of the collective net OPEB liability was 0.0594% which was the same proportion measured as of August 31, 2016.

**Changes Since the Prior Actuarial Valuation**

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

- Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.

- The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
- The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$(8,673,677) and revenue of \$14,826,629 for support provided by the State.

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 539,487
Changes in actuarial assumptions	-	10,270,592
Difference between projected and actual investment earnings	3,926	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	119	-
Contributions paid to TRS subsequent to the measurement date	<u>345,251</u>	<u>-</u>
Total	<u>\$ 349,296</u>	<u>\$ 10,810,079</u>

The \$345,251 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPEB Expense Amount</u>
Year ended June 30:	
2019	\$ (1,425,869)
2020	(1,425,869)
2021	(1,425,869)
2022	(1,425,869)
2023	(1,426,850)
Thereafter	(3,675,708)

## 15. HEALTH CARE COVERAGE

During the year ended June 30, 2018, 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, 2018, reimbursements of \$169,778 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, 2018, 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, 2018, 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:

Fiscal Years	
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	78,587
Total	<u>\$ 4,044,153</u>

In October 2015, the District entered into an agreement to lease property to a party (“Rentor”) who plans to develop property for athletic purposes to benefit both the District’s students and the community at-large. The District maintains the right to control and manage the use of the property, and if necessary, terminate 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:

Years	
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, 2018, the District is also committed under construction contracts with a remaining balance of approximately \$3,606,912.

## 18. PRIOR PERIOD ADJUSTMENT

In accordance with the adoption of GASB Statement No. 75 in the current fiscal year, the District must record its proportionate share of the net OPEB liability related to its contributions to the TRS cost-sharing OPEB plan at the beginning of the measurement period ending August 31, 2017. In addition, the District must record a deferred outflow of resources for its contributions to TRS-Care from the beginning of the measurement period through June 30, 2017. The effect of this change in accounting principle is as follows:

Net position - governmental activities - June 30, 2017	\$ 98,777,543
Net OPEB liability - August 31, 2016	(45,624,106)
District contributions - September 1, 2016 - June 30, 2017	<u>248,402</u>
Net position - governmental activities - June 30, 2017, as restated	<u>\$ 53,401,839</u>

**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, 2018\*\***

	2017*	2016*	2015*	2014*	2013*
District's proportion of the net pension liability	0.0441%	0.0415%	0.0370%	0.0176%	0.0177%
District's proportionate share of the net pension liability	\$ 14,093,471	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	28,271,338	33,818,224	36,291,494	31,802,422	39,038,804
Total	<u>\$ 42,364,809</u>	<u>49,499,445</u>	<u>49,364,103</u>	<u>36,513,535</u>	<u>44,823,664</u>
District's covered-employee payroll (for Measurement Year)	\$ 54,265,804	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	25.97%	30.17%	25.76%	9.34%	12.00%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%	78.17%
Plan's net pension liability as a percentage of covered employee payroll	75.93%	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 - Pensions**  
**Teacher Retirement System of Texas**  
**Last 10 Fiscal Years \***

	2018	2017	2016	2015	2014
Contractually required contributions	\$ 1,506,638	\$ 1,405,880	\$ 1,295,836	\$ 1,010,184	\$ 447,400
Contributions in relation to the contractual required contributions	1,506,638	1,405,880	1,295,836	1,010,184	447,400
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 55,125,221	\$ 54,415,813	\$ 51,052,365	\$ 50,825,694	\$ 50,056,157
Contributions as a percentage of covered payroll	2.73%	2.58%	2.54%	1.99%	0.89%
	2013	2012	2011	2010	2009
Contractually required contributions	\$ 427,672	\$ 365,561	\$ 587,338	\$ 624,506	\$ 570,588
Contributions in relation to the contractual required contributions	427,672	365,561	587,338	624,506	570,588
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 47,904,262	\$ 39,319,194	\$ 49,456,009	\$ 49,550,868	\$ 47,665,400
Contributions as a percentage of covered payroll	0.89%	0.93%	1.19%	1.26%	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**  
**Schedule of the District's Proportionate Share of the Net OPEB Liability**  
**Teacher Retirement System of Texas**  
**June 30, 2018\*\***

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	2017*
District's proportion of the net OPEB liability	0.0594%
District's proportionate share of the net OPEB liability	\$ 25,842,771
State's proportionate share of the net OPEB liability associated with the District	44,307,983
Total	\$ 70,150,754
District's covered-employee payroll (for Measurement Year)	\$ 54,265,804
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	47.62%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%
Plan's net OPEB liability as a percentage of covered employee payroll	132.55%

\* The amounts presented for each Plan year are as of August 31, plan information unavailable prior to 2017.

\*\* Schedule should provide ten years of Plan information, but data was unavailable prior to 2017.

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

	2018	2017	2016	2015	2014
Contractually required contributions	\$ 395,299	\$ 297,125	\$ 280,791	\$ 279,560	\$ 275,323
Contributions in relation to the contractual required contributions	395,299	297,125	280,791	279,560	275,323
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 55,125,221	\$ 54,415,813	\$ 51,052,365	\$ 50,825,694	\$ 50,056,157
Contributions as a percentage of covered payroll	0.72%	0.55%	0.55%	0.55%	0.55%
	2013	2012	2011	2010	2009
Contractually required contributions	\$ 263,483	\$ 216,219	\$ 272,005	\$ 272,513	\$ 262,175
Contributions in relation to the contractual required contributions	263,483	216,219	272,005	272,513	262,175
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 47,904,262	\$ 39,319,194	\$ 49,456,009	\$ 49,550,868	\$ 47,665,400
Contributions as a percentage of covered payroll	0.55%	0.55%	0.55%	0.55%	0.55%

\* 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

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2018

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### 1. CHANGE IN ASSUMPTIONS

#### Pensions

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

#### OPEB

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

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

**COMBINING AND INDIVIDUAL  
FUND STATEMENTS AND SCHEDULES**

**EANES INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 1,292,713	16,211,938	17,504,651
Temporary investments	-	2,500,000	2,500,000
Due from other governments	805,095	-	805,095
Due from other funds	-	3,797	3,797
Other receivables	-	4,736	4,736
Prepaid expenditures	503	-	503
Total assets	<u>\$ 2,098,311</u>	<u>18,720,471</u>	<u>20,818,782</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Accounts payable	\$ 172,225	2,494,743	2,666,968
Payroll deductions and withholdings payable	19,270	609	19,879
Accrued wages payable	173,599	7,615	181,214
Due to other funds	200,277	2,782	203,059
Total liabilities	<u>565,371</u>	<u>2,505,749</u>	<u>3,071,120</u>
Fund balances:			
Nonspendable	503	-	503
Restricted	-	16,214,722	16,214,722
Committed	533,113	-	533,113
Assigned	999,324	-	999,324
Total fund balances	<u>1,532,940</u>	<u>16,214,722</u>	<u>17,747,662</u>
Total liabilities and fund balances	<u>\$ 2,098,311</u>	<u>18,720,471</u>	<u>20,818,782</u>

**EANES INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2018**

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES:</b>			
Local and intermediate sources	\$ 1,299,162	336,940	1,636,102
State program revenues	611,999	-	611,999
Federal program revenues	2,134,981	231,702	2,366,683
Total revenues	<u>4,046,142</u>	<u>568,642</u>	<u>4,614,784</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction	2,199,712	1,450,580	3,650,292
Instructional resources and media services	106,653	-	106,653
Curriculum and staff development	147,605	70,441	218,046
School leadership	52,946	18,923	71,869
Guidance, counseling and evaluation services	1,281,346	-	1,281,346
Health services	40,583	-	40,583
Student transportation	-	359,215	359,215
Extracurricular activities	216,847	-	216,847
General administration	-	20,035	20,035
Facilities maintenance and operations	3,799	42,490	46,289
Security and monitoring services	16,450	150,336	166,786
Data processing services	-	1,005,530	1,005,530
Community services	10,150	-	10,150
Principal on long-term debt	286,541	-	286,541
Interest on long-term debt	5,361	-	5,361
Facilities acquisition and construction	-	10,464,845	10,464,845
Total expenditures	<u>4,367,993</u>	<u>13,582,395</u>	<u>17,950,388</u>
Deficiency of revenues under expenditures	(321,851)	(13,013,753)	(13,335,604)
<b>OTHER FINANCING SOURCES-</b>			
Issuance of notes payable	115,528	-	115,528
Net change in fund balances	(206,323)	(13,013,753)	(13,220,076)
Fund balances--beginning	<u>1,739,263</u>	<u>29,228,475</u>	<u>30,967,738</u>
Fund balances--ending	<u>\$ 1,532,940</u>	<u>16,214,722</u>	<u>17,747,662</u>

**EANES INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2018**

	211	224	225	226	244	255	263
	Title I Grants to Local Educational Agencies	Special Ed Grants to States Formula	Special Education Preschool Grants	Special Ed Grants to States Disc. and High Cost	Career and Techical Education	Supporting Effective Instruction State Grants	English Language Acquisition State Grants
<b>ASSETS:</b>							
Cash and cash equivalents	\$ -	19,744	-	-	-	-	-
Due from other governments	33,492	89,183	5,718	238,322	-	20,319	10,431
Prepaid expenditures	-	-	-	-	-	-	-
Total assets	<u>\$ 33,492</u>	<u>108,927</u>	<u>5,718</u>	<u>238,322</u>	<u>-</u>	<u>20,319</u>	<u>10,431</u>
<b>LIABILITIES AND FUND BALANCES:</b>							
Liabilities:							
Accounts payable	\$ -	4,355	-	26,723	-	-	265
Payroll deductions and withholdings payable	4,418	13,009	469	-	-	1,352	-
Accrued wages payable	27,891	91,563	3,237	23,350	-	18,197	9,361
Due to other funds	1,183	-	2,012	188,249	-	770	805
Total liabilities	<u>33,492</u>	<u>108,927</u>	<u>5,718</u>	<u>238,322</u>	<u>-</u>	<u>20,319</u>	<u>10,431</u>
Fund balances:							
Nonspendable	-	-	-	-	-	-	-
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>\$ 33,492</u>	<u>108,927</u>	<u>5,718</u>	<u>238,322</u>	<u>-</u>	<u>20,319</u>	<u>10,431</u>

(continued)

**EANES INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds (continued)**  
**June 30, 2018**

	<b>385</b>	<b>393</b>	<b>397</b>	<b>410</b>
	<b>Visually Impaired</b>	<b>Texas Successful Schools</b>	<b>Advanced Placement Initiatives</b>	<b>State Instructional Materials</b>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ -	15,499	28,257	112,059
Due from other governments	7,250	-	-	400,380
Prepaid expenditures	-	-	-	-
Total assets	<u>\$ 7,250</u>	<u>15,499</u>	<u>28,257</u>	<u>512,439</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Accounts payable	\$ -	-	-	8,365
Payroll deductions and withholdings payable	-	-	-	-
Accrued wages payable	-	-	-	-
Due to other funds	7,250	-	-	-
Total liabilities	<u>7,250</u>	<u>-</u>	<u>-</u>	<u>8,365</u>
Fund balances:				
Nonspendable	-	-	-	-
Committed	-	-	-	-
Assigned	-	15,499	28,257	504,074
Total fund balances	<u>-</u>	<u>15,499</u>	<u>28,257</u>	<u>504,074</u>
Total liabilities and fund balances	<u>\$ 7,250</u>	<u>15,499</u>	<u>28,257</u>	<u>512,439</u>

(continued)

**EANES INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds (continued)**  
**June 30, 2018**

	429	461	496	499	Total Nonmajor Special Revenue Funds
	Other State	Campus Activity Funds	TASB Loss Prevention	Other Local	
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 297	566,769	3,839	546,249	1,292,713
Due from other governments	-	-	-	-	805,095
Prepaid expenditures	-	167	-	336	503
Total assets	<u>\$ 297</u>	<u>566,936</u>	<u>3,839</u>	<u>546,585</u>	<u>2,098,311</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Accounts payable	\$ -	33,656	-	98,861	172,225
Payroll deductions and withholdings payable	-	-	-	22	19,270
Accrued wages payable	-	-	-	-	173,599
Due to other funds	-	-	-	8	200,277
Total liabilities	<u>-</u>	<u>33,656</u>	<u>-</u>	<u>98,891</u>	<u>565,371</u>
Fund balances:					
Nonspendable	-	167	-	336	503
Committed	-	533,113	-	-	533,113
Assigned	297	-	3,839	447,358	999,324
Total fund balances	<u>297</u>	<u>533,280</u>	<u>3,839</u>	<u>447,694</u>	<u>1,532,940</u>
Total liabilities and fund balances	<u>\$ 297</u>	<u>566,936</u>	<u>3,839</u>	<u>546,585</u>	<u>2,098,311</u>

**EANES INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**Year Ended June 30, 2018**

	211	224	225	226	244	255	263
	Title I Grants to Local Educational Agencies	Special Ed Grants to States Formula	Special Education Preschool Grants	Special Ed Grants to States Disc. and High Cost	Career and Technical Education	Supporting Effective Instruction State Grants	English Language Acquisition State Grants
<b>REVENUES:</b>							
Local and intermediate sources	\$ -	-	-	-	-	-	-
State program revenues	-	-	-	-	-	-	-
Federal program revenues	184,081	1,349,947	23,883	411,557	38,313	111,096	16,104
Total revenues	<u>184,081</u>	<u>1,349,947</u>	<u>23,883</u>	<u>411,557</u>	<u>38,313</u>	<u>111,096</u>	<u>16,104</u>
<b>EXPENDITURES:</b>							
Current:							
Instruction	184,081	452,064	23,883	382,442	32,813	111,096	13,474
Instructional resources and media services	-	-	-	-	-	-	-
Curriculum and staff development	-	500	-	-	2,500	-	2,630
School leadership	-	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	885,915	-	-	3,000	-	-
Health services	-	11,468	-	29,115	-	-	-
Extracurricular activities	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-	-
Security and monitoring services	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-
Principal on long-term debt	-	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-	-
Total expenditures	<u>184,081</u>	<u>1,349,947</u>	<u>23,883</u>	<u>411,557</u>	<u>38,313</u>	<u>111,096</u>	<u>16,104</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	-	-	-	-	-
<b>Other financing sources -</b>							
Issuance of notes payable	-	-	-	-	-	-	-
<b>Net change in fund balances</b>	-	-	-	-	-	-	-
<b>Beginning fund balances</b>	-	-	-	-	-	-	-
<b>Ending fund balances</b>	<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, 2018**

	385	393	397	410
	<u>Visually Impaired</u>	<u>Texas Successful Schools</u>	<u>Advanced Placement Initiatives</u>	<u>State Instructional Materials</u>
<b>REVENUES:</b>				
Local and intermediate sources	\$ -	-	-	-
State program revenues	7,250	-	-	604,749
Federal program revenues	-	-	-	-
Total revenues	<u>7,250</u>	<u>-</u>	<u>-</u>	<u>604,749</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	7,250	-	-	605,498
Instructional resources and media services	-	-	-	19,134
Curriculum and staff development	-	-	-	4,419
School leadership	-	-	-	-
Guidance, counseling and evaluation services	-	-	-	-
Health services	-	-	-	-
Extracurricular activities	-	-	-	-
Facilities maintenance and operations	-	-	-	-
Security and monitoring services	-	-	-	-
Community services	-	-	-	-
Principal on long-term debt	-	-	-	286,541
Interest on long-term debt	-	-	-	5,361
Total expenditures	<u>7,250</u>	<u>-</u>	<u>-</u>	<u>920,953</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	-	(316,204)
<b>Other financing sources -</b>				
Issuance of notes payable	-	-	-	115,528
<b>Net change in fund balances</b>	-	-	-	(200,676)
<b>Beginning fund balances</b>	<u>-</u>	<u>15,499</u>	<u>28,257</u>	<u>704,750</u>
<b>Ending fund balances</b>	<u>\$ -</u>	<u>15,499</u>	<u>28,257</u>	<u>504,074</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, 2018**

	429	461	496	499	
	Other State	Campus Activity Funds	TASB Loss Prevention	Other Local	Total Nonmajor Special Revenue Funds
<b>REVENUES:</b>					
Local and intermediate sources	\$ -	697,785	-	601,377	1,299,162
State program revenues	-	-	-	-	611,999
Federal program revenues	-	-	-	-	2,134,981
Total revenues	-	697,785	-	601,377	4,046,142
<b>EXPENDITURES:</b>					
Current:					
Instruction	-	94,769	-	292,342	2,199,712
Instructional resources and media services	-	64,620	-	22,899	106,653
Curriculum and staff development	-	76,996	-	60,560	147,605
School leadership	-	30,381	-	22,565	52,946
Guidance, counseling and evaluation services	-	388,903	-	3,528	1,281,346
Health services	-	-	-	-	40,583
Extracurricular activities	-	39,797	-	177,050	216,847
Facilities maintenance and operations	-	-	-	3,799	3,799
Security and monitoring services	-	160	432	15,858	16,450
Community services	-	-	-	10,150	10,150
Principal on long-term debt	-	-	-	-	286,541
Interest on long-term debt	-	-	-	-	5,361
Total expenditures	-	695,626	432	608,751	4,367,993
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	2,159	(432)	(7,374)	(321,851)
<b>Other financing sources -</b>					
Issuance of notes payable	-	-	-	-	115,528
<b>Net change in fund balances</b>	-	2,159	(432)	(7,374)	(206,323)
<b>Beginning fund balances</b>	297	531,121	4,271	455,068	1,739,263
<b>Ending fund balances</b>	\$ 297	533,280	3,839	447,694	1,532,940

**EANES INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Capital Projects Funds**  
**June 30, 2018**

	660	661	665	690	691	692	Total Nonmajor Capital Projects Funds
	Resources from Series 2006 Bonds	Resources from Series 2011 Bonds	Resources from Series 2015A Bonds	Resources from River Hills Land Sale	Resources from Donations for Local Field Improvements	Resources from Baldwin Land Sale	
<b>ASSETS-</b>							
Cash and cash equivalents	\$ -	458,330	5,943,320	4,077,227	814,584	4,918,477	16,211,938
Temporary investments	-	-	2,500,000	-	-	-	2,500,000
Receivables:							
Due from other funds	-	3,797	-	-	-	-	3,797
Other receivables	-	-	4,736	-	-	-	4,736
Total assets	<u>\$ -</u>	<u>462,127</u>	<u>8,448,056</u>	<u>4,077,227</u>	<u>814,584</u>	<u>4,918,477</u>	<u>18,720,471</u>
<b>LIABILITIES AND FUND BALANCES:</b>							
Liabilities:							
Accounts payable	\$ -	-	2,426,264	21,652	46,827	-	2,494,743
Payroll deductions and withholdings payable	-	609	-	-	-	-	609
Accrued wages payable	-	5,248	2,367	-	-	-	7,615
Due to other funds	-	-	2,782	-	-	-	2,782
Total liabilities	<u>-</u>	<u>5,857</u>	<u>2,431,413</u>	<u>21,652</u>	<u>46,827</u>	<u>-</u>	<u>2,505,749</u>
Fund balances-							
Restricted	<u>-</u>	<u>456,270</u>	<u>6,016,643</u>	<u>4,055,575</u>	<u>767,757</u>	<u>4,918,477</u>	<u>16,214,722</u>
Total fund balances	<u>-</u>	<u>456,270</u>	<u>6,016,643</u>	<u>4,055,575</u>	<u>767,757</u>	<u>4,918,477</u>	<u>16,214,722</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>462,127</u>	<u>8,448,056</u>	<u>4,077,227</u>	<u>814,584</u>	<u>4,918,477</u>	<u>18,720,471</u>

**EANES INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Capital Projects Funds**  
**Year Ended June 30, 2018**

	660	661	665	690	691	692	Total Nonmajor Capital Projects Funds
	Resources from Series 2006 Bonds	Resources from Series 2011 Bonds	Resources from Series 2015A Bonds	Resources from River Hills Land Sale	Resources from Donations for Local Field Improvements	Resources from Baldwin Land Sale	
<b>REVENUES-</b>							
Local and intermediate sources	\$ 826	28,691	156,510	61,660	14,870	74,383	336,940
Federal program revenues	-	-	231,702	-	-	-	231,702
Total revenues	826	28,691	388,212	61,660	14,870	74,383	568,642
<b>EXPENDITURES:</b>							
Current:							
Instruction	-	37,420	1,413,108	52	-	-	1,450,580
Curriculum and staff development	-	70,441	-	-	-	-	70,441
School leadership	-	18,923	-	-	-	-	18,923
Student transportation	-	-	359,215	-	-	-	359,215
General administration	-	20,035	-	-	-	-	20,035
Facilities maintenance and operations	-	6,205	36,285	-	-	-	42,490
Security and monitoring services	-	21,400	128,936	-	-	-	150,336
Data processing services	-	28,502	977,028	-	-	-	1,005,530
Facilities acquisition and construction	48,744	323,372	9,401,801	21,600	669,328	-	10,464,845
Total expenditures	48,744	526,298	12,316,373	21,652	669,328	-	13,582,395
Excess (deficiency) of revenues over (under) expenditures	(47,918)	(497,607)	(11,928,161)	40,008	(654,458)	74,383	(13,013,753)
Net change in fund balances	(47,918)	(497,607)	(11,928,161)	40,008	(654,458)	74,383	(13,013,753)
Fund balances--beginning	47,918	953,877	17,944,804	4,015,567	1,422,215	4,844,094	29,228,475
Fund balances--ending	\$ -	456,270	6,016,643	4,055,575	767,757	4,918,477	16,214,722

**EANES INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**June 30, 2018**

	701	711	712	713	715	Total Nonmajor Enterprise Funds
	Child Nutrition	Community Education	Child Development Center	Easy Care After School	Facility Rentals	
<b>ASSETS:</b>						
Current assets:						
Cash and cash equivalents	\$ -	470,531	495,484	452,305	559,849	1,978,169
Other receivables	-	-	-	-	103,791	103,791
Inventories, at cost	38,515	-	-	-	-	38,515
Prepaid items	-	9,914	-	-	-	9,914
Total current assets	<u>38,515</u>	<u>480,445</u>	<u>495,484</u>	<u>452,305</u>	<u>663,640</u>	<u>2,130,389</u>
Noncurrent assets-						
Capital assets:						
Land improvements	-	-	-	-	9,625	9,625
Buildings and improvements	138,191	-	36,736	-	-	174,927
Furniture and equipment	1,693,406	59,497	-	-	-	1,752,903
Accumulated depreciation	<u>(939,572)</u>	<u>(59,497)</u>	<u>(7,264)</u>	<u>-</u>	<u>-</u>	<u>(1,006,333)</u>
Total noncurrent assets	<u>892,025</u>	<u>-</u>	<u>29,472</u>	<u>-</u>	<u>9,625</u>	<u>931,122</u>
Total assets	<u>930,540</u>	<u>480,445</u>	<u>524,956</u>	<u>452,305</u>	<u>673,265</u>	<u>3,061,511</u>
<b>LIABILITIES:</b>						
Current liabilities:						
Accounts payable	\$ 3,473	10,483	200	2,516	1,827	18,499
Payroll deductions and withholdings payable	50,535	702	16,938	3,096	615	71,886
Accrued wages payable	172,185	57,486	98,443	19,747	615	348,476
Due to other funds	185,409	49	-	-	-	185,458
Unearned revenue	<u>226,572</u>	<u>-</u>	<u>10,973</u>	<u>18,778</u>	<u>-</u>	<u>256,323</u>
Total liabilities	<u>638,174</u>	<u>68,720</u>	<u>126,554</u>	<u>44,137</u>	<u>3,057</u>	<u>880,642</u>
<b>NET POSITION:</b>						
Net investment in capital assets	892,025	-	29,472	-	9,625	931,122
Unrestricted	<u>(599,659)</u>	<u>411,725</u>	<u>368,930</u>	<u>408,168</u>	<u>660,583</u>	<u>1,249,747</u>
Total net position	<u>\$ 292,366</u>	<u>411,725</u>	<u>398,402</u>	<u>408,168</u>	<u>670,208</u>	<u>2,180,869</u>

**EANES INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Nonmajor Enterprise Funds**  
**Year Ended June 30, 2018**

	701	711	712	713	715	Total Nonmajor Enterprise Funds
	Child Nutrition	Community Education	Child Development Center	Easy Care After School	Facility Rentals	
<b>Operating revenues-</b>						
Charges for services	\$ 3,559,772	972,151	1,632,545	817,452	933,001	7,914,921
<b>Operating expenses:</b>						
Payroll costs	1,763,025	437,175	1,408,095	320,508	210,321	4,139,124
Professional and contracted services	116,226	226,017	7,410	4,100	35,635	389,388
Supplies and materials	1,834,177	41,643	51,478	13,635	15,392	1,956,325
Other operating	8,018	30,413	15,254	27,707	1,445	82,837
Depreciation	93,030	-	3,684	-	-	96,714
Total operating expenses	3,814,476	735,248	1,485,921	365,950	262,793	6,664,388
Operating income (loss)	(254,704)	236,903	146,624	451,502	670,208	1,250,533
<b>Nonoperating revenues:</b>						
Investment income	498	-	-	-	-	498
State program revenues	4,473	-	-	-	-	4,473
Federal program revenues	148,166	-	-	-	-	148,166
Total nonoperating revenues	153,137	-	-	-	-	153,137
Income (loss) before transfers	(101,567)	236,903	146,624	451,502	670,208	1,403,670
Transfers out	-	(143,333)	(43,333)	(991,674)	(694,659)	(1,872,999)
Change in net position	(101,567)	93,570	103,291	(540,172)	(24,451)	(469,329)
Total net position--beginning	393,933	318,155	295,111	948,340	694,659	2,650,198
Total net position--ending	\$ 292,366	411,725	398,402	408,168	670,208	2,180,869

**EANES INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**Year Ended June 30, 2018**

	701	711	712	713	715	Total Nonmajor Enterprise Funds
	Child Nutrition	Community Education	Child Development Center	Easy Care After School	Facility Rentals	
<b>Cash flows from operating activities:</b>						
Receipts from customers/contributors	\$ 3,527,344	922,201	1,633,376	833,570	904,804	7,821,295
Payments to suppliers	(1,796,631)	(295,375)	(74,184)	(44,054)	(51,224)	(2,261,468)
Payments to employees	(1,760,051)	(439,286)	(1,415,482)	(323,077)	(212,207)	(4,150,103)
Net cash provided by (used in) operating activities	(29,338)	187,540	143,710	466,439	641,373	1,409,724
<b>Cash flows from noncapital financing activities:</b>						
Transfers to other funds	-	(143,333)	(43,333)	(991,674)	(694,659)	(1,872,999)
State program revenues	4,473	-	-	-	-	4,473
Federal program revenues	92,428	-	-	-	-	92,428
Net cash provided by (used in) noncapital financing activities	96,901	(143,333)	(43,333)	(991,674)	(694,659)	(1,776,098)
<b>Cash flows from capital and related financing activities-</b>						
Purchase of capital assets	(68,061)	-	-	-	-	(68,061)
<b>Cash flows from investing activities-</b>						
Interest received	498	-	-	-	-	498
<b>Net change in cash and cash equivalents</b>	-	44,207	100,377	(525,235)	(53,286)	(433,937)
<b>Cash and cash equivalents--beginning of the year</b>	-	426,324	395,107	977,540	613,135	2,412,106
<b>Cash and cash equivalents--end of the year</b>	\$ -	470,531	495,484	452,305	559,849	1,978,169
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>						
Operating income (loss)	\$ (254,704)	236,903	146,624	451,502	670,208	1,250,533
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	93,030	-	3,684	-	-	96,714
Federal commodities received	55,738	-	-	-	-	55,738
Increase in other receivables	-	-	-	-	(28,197)	(28,197)
Increase in inventory	(3,661)	-	-	-	-	(3,661)
Increase in prepaid items	-	(381)	-	-	-	(381)
Increase (decrease) in accounts payable	(9,453)	3,040	(42)	1,388	1,248	(3,819)
Increase (decrease) in payroll deductions and withholdings payable	(2,481)	407	(1,435)	(1,105)	318	(4,296)
Increase (decrease) in accrued wages payable	5,455	(2,518)	(5,952)	(1,464)	(2,204)	(6,683)
Increase in due to other funds	119,166	39	-	-	-	119,205
Increase (decrease) in unearned revenue	(32,428)	(49,950)	831	16,118	-	(65,429)
Net cash provided by (used in) operating activities	\$ (29,338)	187,540	143,710	466,439	641,373	1,409,724

**EANES INDEPENDENT SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Debt Service Fund**  
**Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Local and intermediate sources	\$ 24,689,846	20,225,686	20,224,888	(798)
State program revenues	148,000	148,000	135,725	(12,275)
Total revenues	<u>24,837,846</u>	<u>20,373,686</u>	<u>20,360,613</u>	<u>(13,073)</u>
<b>EXPENDITURES:</b>				
Principal on long-term debt	17,165,000	18,500,000	18,500,000	-
Interest on long-term debt	5,756,650	5,599,543	5,599,542	1
Other debt service expenditures	250,000	250,000	178,543	71,457
Total expenditures	<u>23,171,650</u>	<u>24,349,543</u>	<u>24,278,085</u>	<u>71,458</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,666,196</u>	<u>(3,975,857)</u>	<u>(3,917,472)</u>	<u>58,385</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Payment to refunded bond escrow agent	-	(9,749,563)	(9,749,563)	-
Issuance of refunding bonds	-	8,725,000	8,725,000	-
Premium on sale of bonds	-	1,193,182	1,193,181	(1)
Total other financing sources, net	<u>-</u>	<u>168,619</u>	<u>168,618</u>	<u>(1)</u>
Net change in fund balance	1,666,196	(3,807,238)	(3,748,854)	58,384
Fund balance--beginning	<u>25,371,774</u>	<u>25,371,774</u>	<u>25,371,774</u>	<u>-</u>
Fund balance--ending	<u>\$ 27,037,970</u>	<u>21,564,536</u>	<u>21,622,920</u>	<u>58,384</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, 2018**

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Local and intermediate sources	\$ 3,683,200	3,598,900	3,560,270	(38,630)
State program revenues	5,000	5,000	4,473	(527)
Federal program revenues	150,000	150,000	148,166	(1,834)
Total revenues	<u>3,838,200</u>	<u>3,753,900</u>	<u>3,712,909</u>	<u>(40,991)</u>
<b>EXPENSES:</b>				
Food services	3,652,278	3,611,728	3,578,596	33,132
Facilities maintenance and operations	224,900	236,900	235,880	1,020
Total expenses	<u>3,877,178</u>	<u>3,848,628</u>	<u>3,814,476</u>	<u>34,152</u>
Change in net position	(38,978)	(94,728)	(101,567)	(6,839)
Total net position--beginning	<u>393,933</u>	<u>393,933</u>	<u>393,933</u>	<u>-</u>
Total net position--ending	<u>\$ 354,955</u>	<u>299,205</u>	<u>292,366</u>	<u>(6,839)</u>

## **OTHER SCHEDULES**

**EANES INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Delinquent Taxes Receivable**  
**Year Ended June 30, 2018**

Last Ten Years Ended June 30*	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 6/30/2017	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 6/30/2018
	Maintenance	Debt Service							
2009 and earlier	Various	Various	Various	\$ 1,135,479	-	(1,595)	6,435	(26,280)	1,104,359
2010	1.0400	0.1625	8,911,089,447	73,387	-	93	15	(4,397)	68,882
2011	1.0400	0.1625	8,423,512,913	118,229	-	371	58	(4,429)	113,371
2012	1.0400	0.1725	8,453,820,341	74,727	-	1,114	185	(1,765)	71,663
2013	1.0400	0.1725	8,768,038,358	99,166	-	1,881	312	(5,464)	91,509
2014	1.0400	0.1725	9,223,025,771	112,859	-	19,900	3,301	5,815	95,473
2015	1.0400	0.1725	10,150,514,818	129,939	-	9,770	1,620	(24,004)	94,545
2016	1.0400	0.1725	11,142,016,675	201,915	-	(15,271)	(2,533)	(77,360)	142,359
2017	1.0400	0.1725	12,347,242,347	997,147	-	(179,656)	(29,799)	(891,432)	315,170
2018	1.0600	0.1400	13,068,122,738	-	173,165,339	151,174,105	19,966,391	(1,014,713)	1,010,130
Totals				\$ 2,942,848	173,165,339	151,010,712	19,945,985	(2,044,029)	3,107,461

\* 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, 2018**

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.	\$ 807,467
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 14,093,471
SF13	Pension Expense (6147) at fiscal year-end.	\$ -
SF14	Net OPEB Liabilities (2545) at fiscal year-end.	\$ 25,842,771

**FEDERAL AWARDS SECTION**



MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

tel (512) 370 3200 fax (512) 370 3250  
www.mlpc.com

Austin: 401 Congress Avenue, Suite 1100  
Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300  
Round Rock, TX 78664

**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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 17, 2018.

**Internal Control Over Financial Reporting**

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

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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, 2018



MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

tel (512) 370 3200 fax (512) 370 3250

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

## **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, 2018. 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

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*This firm is not a CPA firm*

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

### **Opinion on the Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on 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, 2018

**EANES INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed Through Texas Education Agency:</u>			
Title I Grants to Local Educational Agencies	84.010A	17610101227909	\$ 17,256
Title I Grants to Local Educational Agencies	84.010A	18610101227909	166,825
Total CFDA Number 84.010A			184,081
Special Education Cluster:			
Special Education Grants to States (IDEA - Part B, Formula)	84.027A	176600012279096600	30,726
Special Education Grants to States (IDEA - Part B, Formula)	84.027A	186600012279096600	1,319,221
Special Education Grants to States (IDEA - Part B, Discretionary Residential)	84.027A	176600122279096677	13,513
Special Education Grants to States (IDEA - Part B, Discretionary Residential)	84.027A	186600122279096677	173,084
Special Education Grants to States (IDEA - Part B, High Cost Risk Pool)	84.027A	66001806	224,960
Total CFDA Number 84.027A			1,761,504
Special Education Preschool Grants (IDEA - Part B, Preschool)	84.173A	176610012279096610	276
Special Education Preschool Grants (IDEA - Part B, Preschool)	84.173A	186610012279096610	23,607
Total CFDA Number 84.173A			23,883
Total for Special Education Cluster			1,785,387
Career and Technical Education - Basic Grants to States	84.048A	18420006227909	38,313
English Language Acquisition State Grants	84.365A	17671001227909	4,113
English Language Acquisition State Grants	84.365A	18671001227909	11,991
Total CFDA Number 84.365A			16,104
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	17694501227909	1,489
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	18694501227909	109,607
Total CFDA Number 84.367A			111,096
Total Passed Through Texas Education Agency			2,134,981
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>2,134,981</b>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster:			
<u>Passed Through Texas Education Agency-</u>			
National School Lunch Program	10.555	71301801	92,428
<u>Passed Through the Texas Department of Human Services-</u>			
Non-cash assistance - Food Distribution Program	10.555	71301801	55,738
Total CFDA Number 10.555			148,166
Total Child Nutrition Cluster			148,166
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>148,166</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 2,283,147</b>

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, 2018

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### 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, 2018. 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, 2018

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### 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 the major federal program:

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

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

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 the major federal program:

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, 2018**

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### **SECTION II - FINANCIAL STATEMENT FINDINGS**

No findings required to be reported in accordance with *Government Auditing Standards* for the years ended June 30, 2018 and June 30, 2017.

### **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, 2018 and June 30, 2017.