

**EANES INDEPENDENT
SCHOOL DISTRICT**

**Annual Financial Report
for the Fiscal Year Ended
June 30, 2019**



EANES INDEPENDENT SCHOOL DISTRICT

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EANES INDEPENDENT SCHOOL DISTRICT


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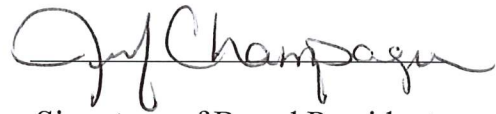
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CERTIFICATE OF BOARD

<u>Eanes Independent School District</u> Name of School District	<u>Travis</u> County	<u>227909</u> Co.-Dist. Number
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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, 2019 at a meeting of the Board of Trustees of such school district on the 22nd day of October, 2019.


Signature of Board Secretary


Signature of Board President

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

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Eanes Independent School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eanes Independent School District (the "District"), as of and for the year ended June 30, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability, the schedule of District contributions - 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 5 through 13, 57, 58, 59, 60, and 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual fund statements and schedules, other schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, other schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2019 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 21, 2019

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, 2019. Please read it in conjunction with the District’s financial statements, which follow this section.

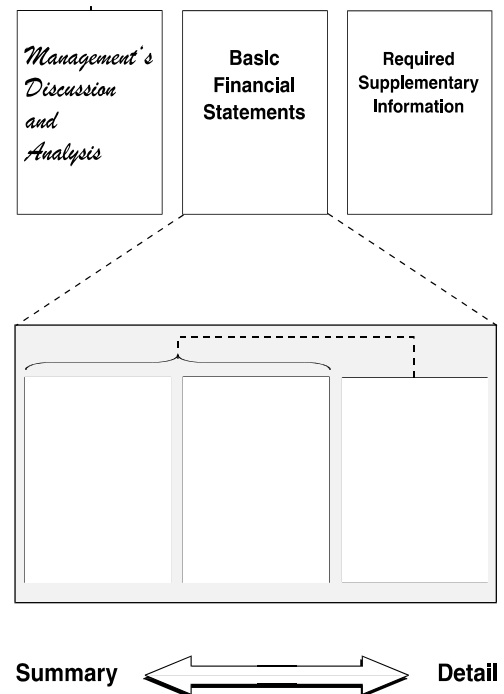
FINANCIAL HIGHLIGHTS

- The District’s total combined net position was \$72.0 million at June 30, 2019, an increase of \$5.7 million from the prior year. In other words, during the year ended June 30, 2019, the District generated \$5.7 million more in taxes and other revenues than the \$211.3 million in expenses for governmental and business-type activities.
- The General Fund reported a fund balance at June 30, 2019 of \$26.9 million which is a \$1.0 million increase from the prior year. Of the total General Fund fund balance, \$22.5 million or 84% is considered unassigned fund balance and may be used to meet the District’s ongoing obligations.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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

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

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

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

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

The District has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

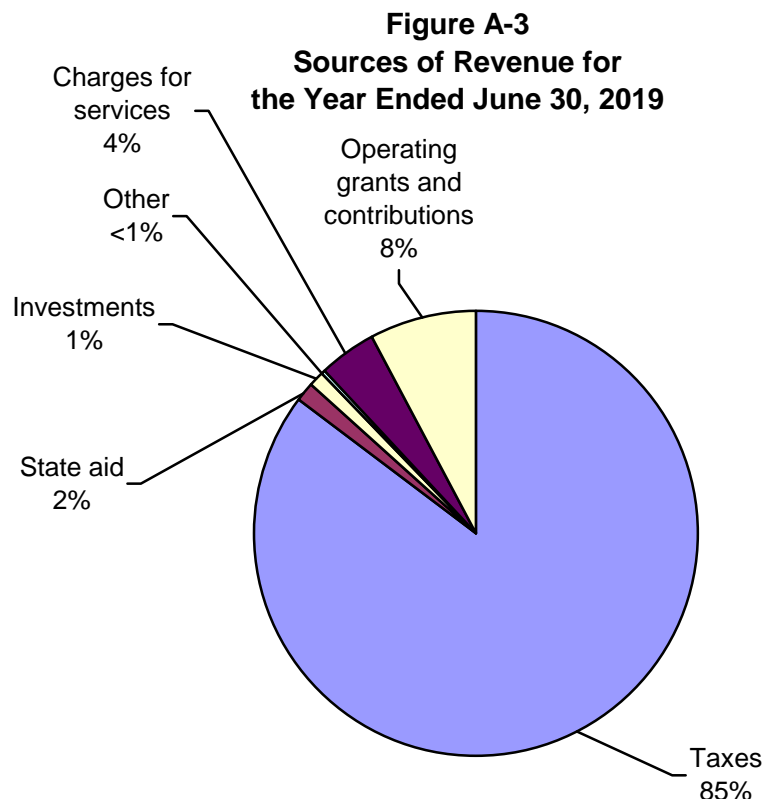
Net position - The District's combined net position was \$72.0 million as of June 30, 2019 (see Table A-1).

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2019	2018	2019	2018	2019	2018	
Current and other assets	\$ 101.0	105.3	\$ 2.5	2.0	\$ 103.5	107.3	(3.5%)
Capital and non-current	175.0	181.0	0.9	0.9	175.9	181.9	(3.4%)
Total assets	276.0	286.3	3.4	2.9	279.4	289.2	(3.4%)
Deferred outflows	22.6	11.2	-	-	22.6	11.2	101.8%
Current liabilities	54.3	55.2	0.8	0.7	55.1	55.9	(1.4%)
Non-current liabilities	163.5	165.2	-	-	163.5	165.2	(1.0%)
Total liabilities	217.8	220.4	0.8	0.7	218.6	221.1	(1.1%)
Deferred inflows	11.4	13.0	-	-	11.4	13.0	(12.3%)
Net position:							
Net investment in capital assets	60.0	53.2	0.9	0.9	60.9	54.1	12.6%
Restricted	29.5	29.3	-	-	29.5	29.3	0.7%
Unrestricted	(20.1)	(18.4)	1.7	1.3	(18.4)	(17.1)	(7.6%)
Total net position	\$ 69.4	64.1	\$ 2.6	2.2	\$ 72.0	66.3	8.4%

Net position - Net investment in capital assets reflects the book value of the District's capital assets and is \$60.9 million more than the debt which financed those assets.

Changes in net position - The District's total revenues were \$217 million. A significant portion, 85 percent, of the District's revenue comes from taxes (See Figure A-3); 2 percent comes from state aid - formula grants, 4 percent relates to charges for services, and 8 percent comes from operating grants and contributions.



Governmental Activities

Property tax rates have remained constant since last year at \$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 \$12.8 million in tax revenues to approximately \$184.3 million for the year ended June 30, 2019, up from approximately \$171.5 million in 2018. Overall, the District's net position increased by approximately \$5.7 million during the year ended June 30, 2019 compared to an increase of approximately \$10.2 million for the year ended June 30, 2018. Key elements of these changes are as follows: increase in net position for fiscal year ending June 30, 2019 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
	2019	2018	2019	2018	2019	2018	
<u>Program revenues:</u>							
Charges for services	\$ 1.3	1.3	\$ 7.7	7.9	\$ 9.0	9.2	(2.2%)
Operating grants and contributions	15.8	24.2	0.2	0.2	16.0	24.4	(34.0%)
<u>General revenues:</u>							
Property taxes	184.3	171.5	-	-	184.3	171.5	7.5%
State aid formula grants	4.7	2.8	-	-	4.7	2.8	67.9%
Investment earnings and other	3.0	2.1	-	-	3.0	2.1	42.9%
Total revenues	209.1	201.9	7.9	8.1	217.0	210.0	3.4%
<u>Expenses:</u>							
Instruction	62.8	60.9	-	-	62.8	60.9	3.1%
Instructional resources and media services	1.5	1.5	-	-	1.5	1.5	0.0%
Student support services	18.7	17.6	3.9	4.1	22.6	21.7	4.1%
General administration	3.8	3.5	-	-	3.8	3.5	8.6%
Support services	11.4	11.0	-	-	11.4	11.0	4.5%
Community services	0.3	0.3	2.7	2.6	3.0	2.9	3.4%
Interest on long-term debt and other debt service	3.7	4.5	-	-	3.7	4.5	(17.8%)
Contracted instructional services between schools	101.7	93.0	-	-	101.7	93.0	9.4%
Other	0.8	0.8	-	-	0.8	0.8	0.0%
Total expenses	204.7	193.1	6.6	6.7	211.3	199.8	5.8%
Transfers	0.8	1.9	(0.8)	(1.9)	-	-	0.0%
Change in net position	\$ 5.2	10.7	\$ 0.5	(0.5)	\$ 5.7	10.2	(44.1%)

The cost of all *governmental* activities for the year ended June 30, 2019 was \$204.7 million. However, the amount that our taxpayers paid for these activities through property taxes was only \$184.3 million. Some of the cost was paid by those who directly benefited from the programs (\$1.3 million) or by grants and contributions (\$15.8 million). The total cost of all programs and services (including business-type activities) was \$211.3 million; 30 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, 2019 and 2018, 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		
	2019	2018	% Change	2019	2018	% Change
Instruction	\$ 62.8	60.9	3.1%	\$ 50.9	43.7	16.5%
School leadership	4.1	3.9	5.1%	3.7	3.0	23.3%
Guidance, counseling, and evaluation services	3.8	3.5	8.6%	2.2	1.7	29.4%
General administration	3.8	3.5	8.6%	3.6	2.9	24.1%
Interest on long-term debt and other debt service	3.7	4.5	(17.8%)	3.7	4.5	(17.8%)
Facilities maintenance and operations	8.8	8.4	4.8%	8.4	7.5	12.0%
Contracted instructional services between schools	101.7	93.0	9.4%	101.7	93.0	9.4%

Business-type Activities

Revenues of the District's business-type activities decreased to \$7.9 million from \$8.1 million. For the Child Nutrition Fund, revenues increased by approximately \$106,000 while expenses increased by approximately \$20,000, which resulted in a decrease in net position of approximately \$15,000 compared to a decrease last year of approximately \$102,000. The remaining business-type revenues decreased by approximately \$374,000 and expenses decreased by approximately \$141,000 or 5 percent. Coupled with net transfers out of approximately \$800,000, this resulted in an increase in net position for the remaining business-type funds of approximately \$471,000.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental funds totaled \$205.3 million, an increase of 9 percent from the preceding year. The \$14.1 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 increased by \$2.8 million from the preceding year due to an increase in state aid formula grants. Chapter 41 recapture costs increased as reflected through expenditures in the General Fund.

General Fund Budgetary Highlights

The District revised its General Fund budget over the course of the year. Even with the adjustments, actual expenditures were approximately \$2 million below final budget amounts for the General Fund. The most significant positive variance resulted from contracted instructional services between schools. Overall, resources available at the end of the year were approximately \$1,313,000 more than the final budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the District had \$175.9 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 decrease (including additions and deductions) of \$6.0 million or 3.3 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
	2019	2018	2019	2018	2019	2018	
Land and land improvements	\$ 21.2	21.2	\$ -	-	\$ 21.2	21.2	0.0%
Construction in progress	3.2	3.3	-	-	3.2	3.3	(3.0%)
Buildings and improvements	273.4	268.8	0.1	0.1	273.5	268.9	1.7%
Furniture and equipment	31.9	31.1	1.9	1.8	33.8	32.9	2.7%
Totals at historical cost	329.7	324.4	2.0	1.9	331.7	326.3	1.7%
Accumulated depreciation	(154.7)	(143.4)	(1.1)	(1.0)	(155.8)	(144.4)	7.9%
Net capital assets	<u>\$ 175.0</u>	<u>181.0</u>	<u>\$ 0.9</u>	<u>0.9</u>	<u>\$ 175.9</u>	<u>181.9</u>	<u>(3.3%)</u>

Long Term Debt

At June 30, 2019, the District had \$121.8 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
	2019	2018	
Bonds, premiums, and accretion payable	\$ 120.9	138.5	(12.7%)
Notes payable	0.0	0.1	(100.0%)
Compensated absences	0.7	0.6	16.7%
Capital lease payable	0.2	0.3	(33.3%)
Total long-term debt	<u>\$ 121.8</u>	<u>139.5</u>	<u>(12.7%)</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Certified net taxable property value increased for tax year 2019 to \$14.4 billion, an increase of 5.2 percent.
- Estimated recapture of tax revenues through the purchase of attendance credits is \$96.2 million for 2020, down from \$101.8 million in 2019.
- The General Fund budget for operating expenditures per student is approximately \$9,900 per pupil for 2020. Recapture expenditures are estimated at approximately \$11,800 per student.
- The District is anticipating a slight increase in enrollment and average daily attendance for 2020.

These indicators were taken into account when adopting the General Fund budget for 2020. In the original approved budget, estimated revenues for 2020 are approximately \$174.0 million. Expenditures of approximately \$177.2 million are budgeted, including \$96.2 million for recapture. If these original estimates are realized, the District's budgetary fund balance is expected to decrease approximately \$3.2 million.

The 86th Legislative Session brought significant changes to the Texas school finance system including some increased funding and significant property tax rate compression. As a result of the session, the District adopted an operating tax rate of \$0.99 and a debt service tax rate of \$0.14 for the 2019-2020 fiscal year. This results in a reduction of 7 cents per \$100 valuation.

The District provided raises of 4.5% of midpoint for all employees and maintained the insurance contribution of \$473 per month for all employees who participate in the health insurance program.

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, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 97,304,280	2,627,623	99,931,903
Temporary investments	180,206	-	180,206
Receivables:			
Property taxes - delinquent	3,579,953	-	3,579,953
Allowance for uncollectible taxes	(2,203,536)	-	(2,203,536)
Due from other governments	1,641,556	-	1,641,556
Internal balances	173,971	(173,971)	-
Due from fiduciary funds	1,228	-	1,228
Other receivables	56,993	40,107	97,100
Inventories, at cost	76,336	41,529	117,865
Prepaid items	175,905	13,330	189,235
Capital assets (net of accumulated depreciation):			
Land and land improvements	21,215,260	9,625	21,224,885
Construction in progress	3,116,018	-	3,116,018
Buildings and improvements	145,026,501	70,454	145,096,955
Furniture and equipment	5,599,976	842,960	6,442,936
Total assets	275,944,647	3,471,657	279,416,304
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on bond refundings	2,956,191	-	2,956,191
Pension contributions after measurement date	1,299,343	-	1,299,343
Deferred outflows related to pension liability	13,558,483	-	13,558,483
OPEB contributions after measurement date	354,957	-	354,957
Deferred outflows related to OPEB liability	4,444,390	-	4,444,390
Total deferred outflows of resources	22,613,364	-	22,613,364
LIABILITIES:			
Current liabilities:			
Accounts payable	990,968	19,871	1,010,839
Payroll deductions and withholdings payable	789,388	66,490	855,878
Accrued wages payable	6,606,893	368,187	6,975,080
Due to other governments	29,093,019	-	29,093,019
Unearned revenue	103,008	379,471	482,479
Bond interest payable	1,909,766	-	1,909,766
Bonds payable	14,655,000	-	14,655,000
Capital lease payable	167,305	-	167,305
Noncurrent liabilities:			
Bonds payable	105,423,362	-	105,423,362
Accretion payable	832,133	-	832,133
Compensated absences	714,427	-	714,427
Net pension liability	24,861,863	-	24,861,863
Net OPEB liability	31,701,409	-	31,701,409
Total liabilities	217,848,541	834,019	218,682,560
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to pension liability	1,362,273	-	1,362,273
Deferred inflows related to OPEB liability	10,024,750	-	10,024,750
Total deferred inflows of resources	11,387,023	-	11,387,023
NET POSITION:			
Net investment in capital assets	59,964,194	923,039	60,887,233
Restricted for:			
Debt service	20,600,728	-	20,600,728
Authorized construction	8,880,354	-	8,880,354
Unrestricted	(20,122,829)	1,714,599	(18,408,230)
Total net position	\$ 69,322,447	2,637,638	71,960,085

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

EANES INDEPENDENT SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2019

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	\$ 62,813,903	213,279	11,704,352	(50,896,272)	-	(50,896,272)
Instructional resources and media services	1,479,485	-	164,028	(1,315,457)	-	(1,315,457)
Curriculum and staff development	2,680,544	-	426,471	(2,254,073)	-	(2,254,073)
Instructional leadership	1,499,698	-	127,708	(1,371,990)	-	(1,371,990)
School leadership	4,105,719	-	422,202	(3,683,517)	-	(3,683,517)
Guidance, counseling, and evaluation services	3,769,139	-	1,532,249	(2,236,890)	-	(2,236,890)
Social work services	162,818	-	15,296	(147,522)	-	(147,522)
Health services	898,969	-	79,179	(819,790)	-	(819,790)
Student transportation	2,507,829	-	307,728	(2,200,101)	-	(2,200,101)
Food services	400,960	-	9,751	(391,209)	-	(391,209)
Extracurricular activities	2,697,211	1,101,505	226,671	(1,369,035)	-	(1,369,035)
General administration	3,832,551	-	250,770	(3,581,781)	-	(3,581,781)
Facilities maintenance and operations	8,783,863	-	410,863	(8,373,000)	-	(8,373,000)
Security and monitoring services	551,850	-	25,063	(526,787)	-	(526,787)
Data processing services	2,035,829	-	127,298	(1,908,531)	-	(1,908,531)
Community services	244,353	-	22,622	(221,731)	-	(221,731)
Interest on long-term debt	3,684,304	-	-	(3,684,304)	-	(3,684,304)
Other debt service	14,225	-	-	(14,225)	-	(14,225)
Facilities acquisition and construction	36,926	-	-	(36,926)	-	(36,926)
Contracted instructional services between schools	101,747,322	-	-	(101,747,322)	-	(101,747,322)
Other intergovernmental charges	816,365	-	-	(816,365)	-	(816,365)
Total governmental activities	<u>\$ 204,763,863</u>	<u>1,314,784</u>	<u>15,852,251</u>	<u>(187,596,828)</u>	<u>-</u>	<u>(187,596,828)</u>
Business-type activities:						
Food services	\$ 3,834,211	3,665,388	153,818	-	(15,005)	(15,005)
Community services	2,709,082	3,981,064	-	-	1,271,982	1,271,982
Total business-type activities	<u>\$ 6,543,293</u>	<u>7,646,452</u>	<u>153,818</u>	<u>-</u>	<u>1,256,977</u>	<u>1,256,977</u>
Total primary government	<u>\$ 211,307,156</u>	<u>8,961,236</u>	<u>16,006,069</u>	<u>(187,596,828)</u>	<u>1,256,977</u>	<u>(186,339,851)</u>
General revenues:						
Property taxes, levied for general purposes				\$ 162,810,111	-	162,810,111
Property taxes, levied for debt service				21,514,660	-	21,514,660
State aid formula grants				4,719,047	-	4,719,047
Investment earnings				2,416,445	-	2,416,445
Miscellaneous				579,629	-	579,629
Transfers				800,208	(800,208)	-
Total general revenues and other				<u>192,840,100</u>	<u>(800,208)</u>	<u>192,039,892</u>
Change in net position				5,243,272	456,769	5,700,041
Net position - beginning				64,079,175	2,180,869	66,260,044
Net position - ending				<u>\$ 69,322,447</u>	<u>2,637,638</u>	<u>71,960,085</u>

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

EANES INDEPENDENT SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2019

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 61,804,834	22,298,437	12,822,540	96,925,811
Temporary investments	180,206	-	-	180,206
Receivables:				
Property taxes - delinquent	3,113,420	466,533	-	3,579,953
Allowance for uncollectible taxes	(1,898,783)	(304,753)	-	(2,203,536)
Due from other governments	1,142,244	-	499,312	1,641,556
Due from other funds	301,886	50,277	-	352,163
Other receivables	56,993	-	-	56,993
Inventories, at cost	76,336	-	-	76,336
Prepaid items	174,045	-	1,860	175,905
Total assets	<u>\$ 64,951,181</u>	<u>22,510,494</u>	<u>13,323,712</u>	<u>100,785,387</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 433,144	-	520,867	954,011
Payroll deductions and withholdings payable	769,793	-	19,595	789,388
Accrued wages payable	6,454,408	-	152,485	6,606,893
Due to other governments	29,093,019	-	-	29,093,019
Due to other funds	50,277	-	126,687	176,964
Unearned revenue	71,959	-	-	71,959
Total liabilities	<u>36,872,600</u>	<u>-</u>	<u>819,634</u>	<u>37,692,234</u>
Deferred inflows of resources-				
Deferred revenue - property taxes	<u>1,214,637</u>	<u>161,780</u>	<u>-</u>	<u>1,376,417</u>
Fund balances:				
Nonspendable:				
Inventories	76,336	-	-	76,336
Prepaid items	174,045	-	1,860	175,905
Restricted for:				
Debt service	-	22,348,714	-	22,348,714
Authorized construction	-	-	11,008,964	11,008,964
Committed to-				
Campus activities	-	-	893,989	893,989
Assigned to:				
2019-20 budget deficit	3,220,072	-	-	3,220,072
Compensated absences	714,427	-	-	714,427
Encumbered for 2019-20	188,002	-	-	188,002
Special revenue funds	-	-	823,761	823,761
Unassigned	<u>22,491,062</u>	<u>-</u>	<u>(224,496)</u>	<u>22,266,566</u>
Total fund balances	<u>26,863,944</u>	<u>22,348,714</u>	<u>12,504,078</u>	<u>61,716,736</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 64,951,181</u>	<u>22,510,494</u>	<u>13,323,712</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	174,957,755
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	1,376,417
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	310,463
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	(120,078,362)
Less: Deferred charges on bond refundings	2,956,191
Interest payable	(1,909,766)
Accretion payable	(832,133)
Capital lease payable	(167,305)
Compensated absences	(714,427)
Net pension liability	(24,861,863)
Net OPEB liability	(31,701,409)
Pension contributions after measurement date	1,299,343
Deferred outflows related to pension liability	13,558,483
Deferred inflows related to pension liability	(1,362,273)
OPEB contributions after measurement date	354,957
Deferred outflows related to OPEB liability	4,444,390
Deferred inflows related to OPEB liability	(10,024,750)
Net position of governmental activities	<u>\$ 69,322,447</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, 2019

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Local and intermediate sources	\$ 168,714,416	21,767,982	2,306,537	192,788,935
State program revenues	8,506,580	129,725	536,080	9,172,385
Federal program revenues	1,155,853	-	2,174,138	3,329,991
Total revenues	<u>178,376,849</u>	<u>21,897,707</u>	<u>5,016,755</u>	<u>205,291,311</u>
EXPENDITURES:				
Current:				
Instruction	46,498,343	-	2,580,151	49,078,494
Instructional resources and media services	909,041	-	84,697	993,738
Curriculum and staff development	2,203,472	-	299,078	2,502,550
Instructional leadership	1,345,127	-	-	1,345,127
School leadership	3,525,392	-	88,730	3,614,122
Guidance, counseling, and evaluation services	2,188,278	-	1,323,764	3,512,042
Social work services	149,153	-	-	149,153
Health services	794,240	-	2,456	796,696
Student transportation	2,183,641	-	487,823	2,671,464
Food services	199,991	-	-	199,991
Extracurricular activities	2,474,357	-	194,197	2,668,554
General administration	3,484,089	-	5,404	3,489,493
Facilities maintenance and operations	7,909,166	-	111,183	8,020,349
Security and monitoring services	521,185	-	31,093	552,278
Data processing services	1,773,467	-	297,899	2,071,366
Community services	223,955	-	1,772	225,727
Debt service:				
Principal on long-term debt	-	16,195,000	221,158	16,416,158
Interest on long-term debt	-	4,962,688	7,829	4,970,517
Other debt service expenditures	-	14,225	-	14,225
Facilities acquisition and construction	6,430	-	4,523,105	4,529,535
Intergovernmental:				
Contracted instructional services between schools	101,747,322	-	-	101,747,322
Other intergovernmental charges	816,365	-	-	816,365
Total expenditures	<u>178,953,014</u>	<u>21,171,913</u>	<u>10,260,339</u>	<u>210,385,266</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(576,165)</u>	<u>725,794</u>	<u>(5,243,584)</u>	<u>(5,093,955)</u>
OTHER FINANCING SOURCES:				
Other sources	772,196	-	-	772,196
Transfers in	800,208	-	-	800,208
Total other financing sources	<u>1,572,404</u>	<u>-</u>	<u>-</u>	<u>1,572,404</u>
Net change in fund balances	996,239	725,794	(5,243,584)	(3,521,551)
Fund balances--beginning	25,867,705	21,622,920	17,747,662	65,238,287
Fund balances--ending	<u>\$ 26,863,944</u>	<u>22,348,714</u>	<u>12,504,078</u>	<u>61,716,736</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, 2019

Net change in fund balances - total governmental funds	\$ (3,521,551)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	5,220,105
Depreciation expense	(11,243,062)
Disposal of capital assets	(8,911)
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	397,101
The revenues and expenses of the Internal Service Fund are distributed in the statement of net activities and it is not considered a governmental fund.	
The difference is the amount of operating income.	15,048
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	16,195,000
Repayment of capital lease principal	163,394
Repayment of note payable principal	135,206
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	298,229
Change in accretion payable	(24,666)
Amortization of deferred charges on bond refundings	(469,940)
Amortization of bond premiums	1,405,148
Change in compensated absences	(111,575)
Pension contributions made during the measurement year	1,521,614
OPEB contributions made during the measurement year	437,791
Change in pension contributions made after the measurement date	35,528
Change in OPEB contributions made after the measurement date	9,706
Proportionate share of collective pension expense	(12,290,006)
Proportionate share of collective OPEB expense	(6,296,429)
Adjustment for ending deferred inflows and outflows related to net pension liability	8,149,868
Adjustment for ending deferred inflows and outflows related to net OPEB liability	5,225,674
Change in net position of governmental activities	<u><u>\$ 5,243,272</u></u>

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

EANES INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Local and intermediate sources	\$ 166,600,112	168,805,326	168,714,416	(90,910)
State program revenues	8,272,099	8,449,113	8,506,580	57,467
Federal program revenues	600,000	1,157,000	1,155,853	(1,147)
Total revenues	175,472,211	178,411,439	178,376,849	(34,590)
EXPENDITURES:				
Current:				
Instruction	46,463,173	46,543,719	46,498,343	45,376
Instructional resources and media services	937,107	924,926	909,041	15,885
Curriculum and staff development	2,154,023	2,263,117	2,203,472	59,645
Instructional leadership	1,289,650	1,366,068	1,345,127	20,941
School leadership	3,490,800	3,551,618	3,525,392	26,226
Guidance, counseling, and evaluation services	2,084,103	2,213,146	2,188,278	24,868
Social work services	220,485	156,485	149,153	7,332
Health services	792,225	812,454	794,240	18,214
Student transportation	2,176,963	2,237,963	2,183,641	54,322
Food services	187,338	207,338	199,991	7,347
Extracurricular activities	2,226,201	2,497,527	2,474,357	23,170
General administration	3,388,049	3,525,266	3,484,089	41,177
Facilities maintenance and operations	8,159,716	8,162,342	7,909,166	253,176
Security and monitoring services	554,337	544,558	521,185	23,373
Data processing services	1,827,215	1,824,315	1,773,467	50,848
Community services	270,528	234,228	223,955	10,273
Facilities acquisition and construction	-	7,780	6,430	1,350
Intergovernmental:				
Contracted instructional services between schools	101,794,978	103,025,000	101,747,322	1,277,678
Other intergovernmental charges	819,000	830,000	816,365	13,635
Total expenditures	178,835,891	180,927,850	178,953,014	1,974,836
Deficiency of revenues under expenditures	(3,363,680)	(2,516,411)	(576,165)	1,940,246
OTHER FINANCING SOURCES:				
Other sources	150,000	800,000	772,196	(27,804)
Transfers in	1,400,000	1,400,000	800,208	(599,792)
Total other financing sources	1,550,000	2,200,000	1,572,404	(627,596)
Net change in fund balance	(1,813,680)	(316,411)	996,239	1,312,650
Fund balance--beginning	25,867,705	25,867,705	25,867,705	-
Fund balance--ending	\$ 24,054,025	25,551,294	26,863,944	1,312,650

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, 2019

	Business-type Activities- Nonmajor Enterprise Funds	Governmental Activities- Internal Service Fund	Total Proprietary Funds
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 2,627,623	378,469	3,006,092
Other receivables	40,107	-	40,107
Inventories, at cost	41,529	-	41,529
Prepaid items	13,330	-	13,330
Total current assets	<u>2,722,589</u>	<u>378,469</u>	<u>3,101,058</u>
Noncurrent assets-			
Capital assets:			
Land improvements	9,625	-	9,625
Buildings and improvements	174,927	-	174,927
Furniture and equipment	1,850,055	-	1,850,055
Accumulated depreciation	(1,111,568)	-	(1,111,568)
Total noncurrent assets	<u>923,039</u>	<u>-</u>	<u>923,039</u>
Total assets	<u>3,645,628</u>	<u>378,469</u>	<u>4,024,097</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	19,871	36,957	56,828
Payroll deductions and withholdings payable	66,490	-	66,490
Accrued wages payable	368,187	-	368,187
Due to other funds	173,971	-	173,971
Unearned revenue	379,471	31,049	410,520
Total liabilities	<u>1,007,990</u>	<u>68,006</u>	<u>1,075,996</u>
NET POSITION:			
Net investment in capital assets	923,039	-	923,039
Unrestricted	1,714,599	310,463	2,025,062
Total net position	<u>\$ 2,637,638</u>	<u>310,463</u>	<u>2,948,101</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, 2019

	Business-type Activities- Nonmajor Enterprise Funds	Governmental Activities- Internal Service Fund	Total Proprietary Funds
Operating revenues-			
Charges for services	\$ 7,646,452	277,334	7,923,786
Operating expenses:			
Payroll costs	3,993,238	-	3,993,238
Professional and contracted services	356,155	116,702	472,857
Supplies and materials	2,006,068	145,584	2,151,652
Other operating	82,597	-	82,597
Depreciation	105,235	-	105,235
Total operating expenses	6,543,293	262,286	6,805,579
Operating income	1,103,159	15,048	1,118,207
Nonoperating revenues:			
State program revenues	4,028	-	4,028
Federal program revenues	149,790	-	149,790
Total nonoperating revenues	153,818	-	153,818
Income before transfer	1,256,977	15,048	1,272,025
Transfers out	(800,208)	-	(800,208)
Change in net position	456,769	15,048	471,817
Total net position--beginning	2,180,869	295,415	2,476,284
Total net position--ending	\$ 2,637,638	310,463	2,948,101

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, 2019

	Business-type Activities- Nonmajor Enterprise Funds	Governmental Activities- Internal Service Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers/contributors/students	\$ 7,833,284	308,383	8,141,667
Payments to suppliers	(2,402,908)	(235,805)	(2,638,713)
Payments to employees	(3,978,923)	-	(3,978,923)
Net cash provided by operating activities	1,451,453	72,578	1,524,031
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers to other funds	(800,208)	-	(800,208)
State program revenues	4,028	-	4,028
Federal program revenues	91,333	-	91,333
Net cash used in noncapital financing activities	(704,847)	-	(704,847)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES-			
Purchase of capital assets	(97,152)	-	(97,152)
Net increase in cash and cash equivalents	649,454	72,578	722,032
Cash and cash equivalents - beginning of the year	1,978,169	305,891	2,284,060
Cash and cash equivalents - end of the year	<u>\$ 2,627,623</u>	<u>378,469</u>	<u>3,006,092</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,103,159	15,048	1,118,207
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	105,235	-	105,235
Federal commodities received	58,457	-	58,457
Decrease in other receivables	63,684	-	63,684
Increase in inventory	(3,014)	-	(3,014)
Increase in prepaid items	(3,416)	-	(3,416)
Increase in accounts payable	1,372	26,481	27,853
Decrease in payroll deductions and withholdings payable	(5,396)	-	(5,396)
Increase in accrued wages payable	19,711	-	19,711
Decrease in due to other funds	(11,487)	-	(11,487)
Increase in unearned revenue	123,148	31,049	154,197
Net cash provided by operating activities	<u>\$ 1,451,453</u>	<u>72,578</u>	<u>1,524,031</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, 2019

	Private Purpose Trust	Agency Funds
ASSETS-		
Cash and cash equivalents	\$ 59,835	649,121
Total assets	<u>\$ 59,835</u>	<u>649,121</u>
LIABILITIES:		
Accounts payable	\$ -	9,959
Due to student groups	-	635,182
Due to other governments	-	3,572
Due to other funds	820	408
Total liabilities	<u>820</u>	<u>649,121</u>
NET POSITION-		
Held in trust for private purposes	<u>\$ 59,015</u>	

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, 2019

	Private Purpose Trust
ADDITIONS-	
Investment income	\$ 5,950
DEDUCTIONS-	
Scholarships provided	1,320
Change in net position	4,630
Net position--beginning of the year	54,385
Net position--end of the year	\$ 59,015

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, 2019

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, 2019, encumbrances outstanding of approximately \$188,000 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) and money market accounts, 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, 2019 was \$714,427 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 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, 12 and 13 for additional information on deferred inflows and outflows of resources.

Fund Balance/Deficit - 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 10 for additional information on those fund balance classifications. One of the District’s Capital Projects funds (619) had a deficit fund balance at June 30, 2019 of \$224,496. This deficit will be eliminated through the issuance of future bonds in fiscal year 2020.

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.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. The objective of GASB Statement No. 84 is to improve accounting and financial reporting for fiduciary activities by establishing criteria for identifying fiduciary activities, requiring that all fiduciary funds present a statement of fiduciary net position and a statement of changes in fiduciary net position, except for business-types activities that normally expect to hold custodial assets for three months or less, and providing descriptions of the four types of fiduciary funds that should be reported, if applicable. GASB Statement No. 84 also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Management is evaluating the effects that the full implementation of GASB Statement No. 84 will have on its financial statements for the year ended June 30, 2020.

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, 2019, the carrying amount of the District's deposits was \$377,683 and the bank balance was \$531,485.

The District's deposits with financial institutions at June 30, 2019 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, 2019, 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 the 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 \$4,010,206.
- Largest cash, savings and time deposit combined account balance amounted to \$3,438,576 and occurred during the month of October 2018.
- Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

Investments held at June 30, 2019 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local Governmental Investment Pools:			
TexPool	\$ 291,299	1	AAAm
Lone Star	97,396,784	1	AAA
TexasDAILY	2,575,093	1	AAAm
Money market	180,206	1	N/A
Total investments	<u>\$ 100,443,382</u>		

The District had investments in three external local governmental investment pools at June 30, 2019, 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 market accounts. Money market accounts 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.

Money market accounts 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, 2019, investments were included in external local governmental investment pools and money market accounts 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, 2019, 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, 2019, 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 1 day. The District considers the holdings in the external 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 securities had a weighted average maturity of 1 day, 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, 2019, 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, 2018, upon which the October 2018 levy was based, was \$13,671,949,330. 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, 2019, the District was required to pay \$101,747,322 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, 2019 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, 2019.

	General Fund	Nonmajor Governmental Funds	Total
Per Capita entitlement	\$ 1,088,769	-	1,088,769
Federal and state grants	-	499,312	499,312
Other	53,475	-	53,475
Total due from other governments	<u>\$ 1,142,244</u>	<u>499,312</u>	<u>1,641,556</u>
WADA liability	<u>\$ 29,093,019</u>	<u>-</u>	<u>29,093,019</u>
Total due to other governments	<u>\$ 29,093,019</u>	<u>-</u>	<u>29,093,019</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, 2019, was as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Special Revenue	\$ 124,600
General	Nonmajor Enterprise	173,971
General	Nonmajor Capital Projects	2,087
General	Fiduciary	1,228
Debt Service	General	50,277
Total		<u>\$ 352,163</u>

During the year, the District transferred \$800,208 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, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land and land improvements	\$ 21,215,260	-	-	-	21,215,260
Construction in progress	3,265,788	1,065,680	-	(1,215,450)	3,116,018
Total capital assets, not being depreciated	24,481,048	1,065,680	-	(1,215,450)	24,331,278
Capital assets, being depreciated:					
Buildings and improvements	268,843,804	3,402,287	-	1,209,097	273,455,188
Furniture and equipment	31,121,374	752,138	(19,095)	6,353	31,860,770
Total capital assets being depreciated	299,965,178	4,154,425	(19,095)	1,215,450	305,315,958

Less accumulated depreciation for:					
Buildings and improvements	(119,908,127)	(8,520,560)	-	-	(128,428,687)
Furniture and equipment	<u>(23,548,476)</u>	<u>(2,722,502)</u>	<u>10,184</u>	<u>-</u>	<u>(26,260,794)</u>
Total accumulated depreciation	<u>(143,456,603)</u>	<u>(11,243,062)</u>	<u>10,184</u>	<u>-</u>	<u>(154,689,481)</u>
Total capital assets, being depreciated, net	<u>156,508,575</u>	<u>(7,088,637)</u>	<u>(8,911)</u>	<u>1,215,450</u>	<u>150,626,477</u>
Governmental activities capital assets, net	<u>180,989,623</u>	<u>(6,022,957)</u>	<u>(8,911)</u>	<u>-</u>	<u>174,957,755</u>
Business-type activities:					
Land and land improvements	\$ 9,625	-	-	-	9,625
Buildings and improvements	174,927	-	-	-	174,927
Furniture and equipment	1,752,903	97,152	-	-	1,850,055
Less accumulated depreciation for:					
Buildings and improvements	(82,061)	(22,412)	-	-	(104,473)
Furniture and equipment	<u>(924,272)</u>	<u>(82,823)</u>	<u>-</u>	<u>-</u>	<u>(1,007,095)</u>
Total accumulated depreciation	<u>(1,006,333)</u>	<u>(105,235)</u>	<u>-</u>	<u>-</u>	<u>(1,111,568)</u>
Business-type activities capital assets, net	<u>\$ 931,122</u>	<u>(8,083)</u>	<u>-</u>	<u>-</u>	<u>923,039</u>

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

Governmental activities:

Instruction	\$ 9,581,337
Instructional resources and media services	414,869
Instructional leadership	40,475
School leadership	182,138
Guidance, counseling, and evaluation services	70,831
Health services	33,729
Student transportation	35,978
Food services	192,256
Extracurricular activities	29,232
General administration	120,301
Facilities maintenance and operations	<u>541,916</u>
Total depreciation expense - governmental activities	<u>\$ 11,243,062</u>

Business-type activities:

Community services	\$ 3,684
Food services	<u>101,551</u>
Total depreciation expense - business type activities	<u>\$ 105,235</u>

7. DEFERRED CHARGES ON BOND REFUNDINGS

The following is a summary of deferred charges on bond refundings for the year ended June 30, 2019:

Deferred charges on bond refundings - June 30, 2018	\$ 3,426,131
Retirements from Series 2017 refunding	(71,886)
Retirements from Series 2016 refunding	(96,582)
Retirements from Series 2015B refunding	(221,738)
Retirements from Series 2013 refunding	<u>(79,734)</u>
Deferred charges on bond refundings - June 30, 2019	<u>\$ 2,956,191</u>

8. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2019:

	Beginning Balance	Additions	Retirements	Ending Balance
General obligation bonds	\$ 124,405,000	-	(16,195,000)	108,210,000
Premiums on bonds	13,273,510	-	(1,405,148)	11,868,362
Accretion payable	807,467	24,666	-	832,133
Capital lease payable	330,699	-	(163,394)	167,305
Notes payable	135,206	-	(135,206)	-
Compensated absences	<u>602,852</u>	<u>111,575</u>	<u>-</u>	<u>714,427</u>
Total	<u>\$ 139,554,734</u>	<u>136,241</u>	<u>(17,898,748)</u>	<u>121,792,227</u>

Current portion of long-term liabilities at June 30, 2019 is as follows:

General obligation bonds	\$ 14,655,000
Capital lease payable	<u>167,305</u>
Total	<u>\$ 14,822,305</u>

Bonded debt consisted of the following at June 30, 2019:

General Obligation Bonds:

Series	Date of Issue	Amounts of Original Issue	Maturity Date	Interest Rate	Outstanding at 6-30-19	Current Portion
2009 Refunding	11-23-09	\$ 19,405,000	2022	4.00%	\$ 9,735,000	\$ 4,170,000
2011 School Building and Refunding	07-26-11	71,035,000	2031	1.875-5.25%	26,405,000	3,555,000
2013 Refunding	06-27-13	8,590,000	2025	2.00-3.00%	8,060,000	75,000
2015A School Building	07-28-15	48,080,000	2032	2.00-5.00%	30,945,000	2,915,000
2015B Refunding	07-28-15	24,005,000	2023	2.00-5.00%	16,285,000	3,905,000
2016 Refunding	09-21-16	8,390,000	2031	2.00-4.00%	8,285,000	35,000
2017 Refunding	12-21-17	8,725,000	2031	2.00-4.00%	8,495,000	-
Total		<u>\$188,230,000</u>			<u>\$108,210,000</u>	<u>\$14,655,000</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.

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, 2019, 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, 2019, the debt service requirements of bonded indebtedness to maturity are as follows:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 14,655,000	4,286,488	18,941,488
2021	15,250,000	3,658,388	18,908,388
2022	15,895,000	2,998,588	18,893,588
2023	11,145,000	2,440,288	13,585,288
2024	8,410,000	2,973,450	11,383,450
2025-2029	29,420,000	5,979,055	35,399,055
2030-2032	13,435,000	781,074	14,216,074
Total	<u>\$108,210,000</u>	<u>23,117,331</u>	<u>131,327,331</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, 2019, unlimited tax bonds of \$80,000,000 were authorized by voters of the District, but unissued.

Capital Lease Payable - 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, 2019, these assets had accumulated amortization of \$223,452 and a net book value of \$273,109. 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 include a 2020 principal payment of \$167,305 and an interest payment of \$4,003 resulting in total payments of \$171,308.

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 varied each year and were payable through September 2018. The final principal payment was made during the year ended June 30, 2019.

9. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended June 30, 2019, revenues from local and intermediate sources in the governmental funds consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property taxes	\$161,929,875	21,399,330	-	183,329,205
Investment earnings	1,804,271	297,070	315,104	2,416,445
Penalties, interest, and other tax related income	526,885	71,582	-	598,467
Tuition and fees from patrons	213,279	-	-	213,279
Co-curricular student activities	1,101,504	-	-	1,101,504
Gifts and donations	2,566,926	-	863,447	3,430,373
Other	571,676	-	1,127,986	1,699,662
Total	<u>\$168,714,416</u>	<u>21,767,982</u>	<u>2,306,537</u>	<u>192,788,935</u>

10. FUND BALANCES

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

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

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

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

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

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

The detail of the fund balances is included in the Governmental Funds Balance Sheet on page 16. Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated authority to the Superintendent or the Chief Financial Officer 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 64 through 66.

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.

11. 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.

12. 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 and 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 TRS during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act ("GAA") affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	2018	2019
Contribution Rates:		
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FY 2019 District Contributions		\$ 1,553,401
FY 2019 Member Contributions		\$ 4,369,761
FY 2019 NECE On-behalf Contributions		\$ 3,127,641

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 rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

	August 31, 2017 rolled forward to August 31, 2018
Valuation Date	August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Payroll Growth Rate	3.00%
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 three year period ending August 31, 2017 and adopted in July 2018.

Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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 arithmetic real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2018 are summarized below.

Asset Class	Target Allocation (1)	Long-Term Expected Arithmetic Real Rate of Return (2)	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18%	5.7%	1.0%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.9%	0.8%
Directional Hedge Funds	4%	3.5%	0.1%
Private Equity	13%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11%	1.1%	0.1%
Absolute Return	0%	0.0%	0.0%
Stable Value Hedge Funds	4%	3.1%	0.1%
Cash	1%	(0.3%)	0.0%
Real Return			
Global Inflation-Linked Bonds	3%	0.7%	0.0%
Real Assets	14%	5.2%	0.7%
Energy and Natural Resources	5%	7.5%	0.4%
Commodities	0%	0.0%	0.0%
Risk Parity			
Risk Parity	5%	3.7%	0.2%
Inflation Expectation			2.3%
Volatility Drag (3)			(0.8%)
Total	100%		7.2%

(1) Target allocations are based on the FY2016 policy model

(2) Capital market assumptions come from Aon Hewitt (2017 Q4)

(3) The volatility drag results 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 (6.907%) in measuring the 2018 Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the net pension liability	\$ 37,522,513	\$ 24,861,863	\$ 14,612,316

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

At June 30, 2019, the District reported a liability of \$24,861,863 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	\$ 24,861,863
State's proportionate share that is associated with the District	<u>47,149,661</u>
Total	<u>\$ 72,011,524</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. 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, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0452% which was an increase of 0.0011% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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, 2019, the District recognized pension expense of \$4,136,397 and revenue of \$4,666,560 for support provided by the State.

At June 30, 2019, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 154,968	\$ 610,012
Changes in actuarial assumptions	8,963,899	280,122
Difference between projected and actual investment earnings	-	471,736
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	4,439,616	403
Contributions paid to TRS subsequent to the measurement date	1,299,343	-
Total	<u>\$ 14,857,826</u>	<u>\$ 1,362,273</u>

The \$1,299,343 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, 2020. 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:

	Pension Expense Amount
Year ended June 30:	
2020	\$ 3,271,796
2021	2,279,055
2022	1,987,333
2023	1,995,320
2024	1,642,657
Thereafter	1,020,049

13. 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 a retiree with and without Medicare coverage

	Medicare	Non-Medicare
TRS-Care Monthly for Retirees		
January 1, 2018 through December 31, 2018:		
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

**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 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the GAA. The following table shows contributions to the TRS-Care plan by type of contributor.

	2018	2019
Contribution Rates:		
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
 FY 2019 District Contributions		\$ 425,592
FY 2019 Member Contributions		\$ 368,874
FY 2019 NECE On-behalf Contributions		\$ 574,934

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 \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriation to fiscal year 2018 to \$394.6 million.

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The 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 that was rolled forward to August 31, 2018:

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 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.69%
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	3.00%
Projected Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	4.50% to 107.74%
Election Rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

Assumption changes include an updated health care trend assumption to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020, revised demographic and economic assumptions based on the TRS experience study for the period ending August 31, 2017, and a discount rate change from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018.

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% 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, 2018.

See Note 12 for the best estimate of geometric real rates of return for each major asset class included in the TRS target asset allocation as of August 31, 2018.

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 (3.69%) in measuring the 2018 Net OPEB Liability.

	<u>1% Decrease in Discount Rate (2.69%)</u>	<u>Discount Rate (3.69%)</u>	<u>1% Increase in Discount Rate (4.69%)</u>
District’s proportionate share of the net OPEB liability	\$ 37,735,569	\$ 31,701,409	\$ 26,928,000

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 2018 Net OPEB Liability.

	<u>1% Decrease in Healthcare Cost Trend Rates (7.5%)</u>	<u>Current Healthcare Cost Trend Rates (8.5%)</u>	<u>1% Increase in Healthcare Cost Trend Rates (9.5%)</u>
District’s proportionate share of the net OPEB liability	\$ 26,328,537	\$ 31,701,409	\$ 38,777,599

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

At June 30, 2019, the District reported a liability of \$31,701,409 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	\$ 31,701,409
State's proportionate share that is associated with the District	<u>49,250,792</u>
Total	<u>\$ 80,952,201</u>

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 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, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net OPEB liability was 0.0635% which was an increase of 0.0041% from the proportion measured as of August 31, 2017.

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:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This changed increased the Total OPEB Liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section B. for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

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, 2019, the District recognized OPEB expense of \$1,048,647 and revenue of \$1,791,448 for support provided by the State.

At June 30, 2019, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,682,276	\$ 500,295
Changes in actuarial assumptions	529,011	9,524,455
Difference between projected and actual investment earnings	5,544	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,227,559	-
Contributions paid to TRS subsequent to the measurement date	354,957	-
Total	<u>\$ 4,799,347</u>	<u>\$ 10,024,750</u>

The \$354,957 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, 2020. 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:

	OPEB Expense Amount
Year ended June 30:	
2020	\$ (970,585)
2021	(970,585)
2022	(970,585)
2023	(971,634)
2024	(972,234)
Thereafter	(724,737)

14. HEALTH CARE COVERAGE

During the year ended June 30, 2019, 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, 2019, reimbursements of \$214,682 were received by TRS and allocated to the District.

15. 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, 2019, 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.

16. 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, 2019, 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	271,482
Total	<u>\$ 2,201,132</u>

At June 30, 2019, the District is also committed under construction contracts with a remaining balance of \$655,531.

17. SUBSEQUENT EVENTS

In September 2019, the District issued \$46,550,000 in Unlimited Tax School Building Bonds, Series 2019A and \$14,930,000 in Variable Rate Unlimited Tax School Building Bonds, Series 2019B.

**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, 2019**

	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
District's proportion of the net pension liability	0.0452%	0.0441%	0.0415%	0.0370%	0.0176%
District's proportionate share of the net pension liability	\$ 24,861,863	14,093,471	15,681,221	13,072,609	4,711,113
State's proportionate share of the net pension liability associated with the District	<u>47,149,661</u>	<u>28,271,338</u>	<u>33,818,224</u>	<u>36,291,494</u>	31,802,422
Total	<u><u>\$ 72,011,524</u></u>	<u><u>42,364,809</u></u>	<u><u>49,499,445</u></u>	<u><u>49,364,103</u></u>	<u><u>36,513,535</u></u>
District's covered-employee payroll (for Measurement Year)	\$ 55,448,500	54,265,804	51,984,296	50,738,468	50,417,291
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	44.84%	25.97%	30.17%	25.76%	9.34%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered employee payroll	126.11%	75.93%	92.75%	91.94%	72.90%

* 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 *

	2019	2018	2017	2016	2015
Contractually required contributions	\$ 1,553,401	\$ 1,506,638	\$ 1,405,880	\$ 1,295,836	\$ 1,010,184
Contributions in relation to the contractual required contributions	1,553,401	1,506,638	1,405,880	1,295,836	1,010,184
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 56,750,174	\$ 55,125,221	\$ 54,415,813	\$ 51,052,365	\$ 50,825,694
Contributions as a percentage of covered payroll	2.74%	2.73%	2.58%	2.54%	1.99%
	2014	2013	2012	2011	2010
Contractually required contributions	\$ 447,400	\$ 427,672	\$ 365,561	\$ 587,338	\$ 624,506
Contributions in relation to the contractual required contributions	447,400	427,672	365,561	587,338	624,506
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 50,056,157	\$ 47,904,262	\$ 39,319,194	\$ 49,456,009	\$ 49,550,868
Contributions as a percentage of covered payroll	0.89%	0.89%	0.93%	1.19%	1.26%

* 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, 2019**

	2018*	2017*
District's proportion of the net OPEB liability	0.0635%	0.0594%
District's proportionate share of the net OPEB liability	\$ 31,701,409	25,842,771
State's proportionate share of the net OPEB liability associated with the District	49,250,792	44,307,983
Total	\$ 80,952,201	70,150,754
District's covered-employee payroll (for Measurement Year)	\$ 55,448,500	54,265,804
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	57.17%	47.62%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered employee payroll	146.64%	132.55%

* The amounts presented for each Plan year are as of August 31, plan
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 *

	2019	2018	2017	2016	2015
Contractually required contributions	\$ 425,592	\$ 395,299	\$ 297,125	\$ 280,791	\$ 279,560
Contributions in relation to the contractual required contributions	425,592	395,299	297,125	280,791	279,560
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 56,750,174	\$ 55,125,221	\$ 54,415,813	\$ 51,052,365	\$ 50,825,694
Contributions as a percentage of covered payroll	0.75%	0.72%	0.55%	0.55%	0.55%
	2014	2013	2012	2011	2010
Contractually required contributions	\$ 275,323	\$ 263,483	\$ 216,219	\$ 272,005	\$ 272,513
Contributions in relation to the contractual required contributions	275,323	263,483	216,219	272,005	272,513
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 50,056,157	\$ 47,904,262	\$ 39,319,194	\$ 49,456,009	\$ 49,550,868
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, 2019

1. CHANGE IN ASSUMPTIONS

Pensions

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This changed increased the Total OPEB Liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section B. for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

EANES INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 1,739,843	11,082,697	12,822,540
Due from other governments	499,312	-	499,312
Prepaid items	1,860	-	1,860
Total assets	<u>\$ 2,241,015</u>	<u>11,082,697</u>	<u>13,323,712</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 230,698	290,169	520,867
Payroll deductions and withholdings payable	18,975	620	19,595
Accrued wages payable	147,132	5,353	152,485
Due to other funds	124,600	2,087	126,687
Total liabilities	<u>521,405</u>	<u>298,229</u>	<u>819,634</u>
Fund balances:			
Nonspendable	1,860	-	1,860
Restricted	-	11,008,964	11,008,964
Committed	893,989	-	893,989
Assigned	823,761	-	823,761
Unassigned	-	(224,496)	(224,496)
Total fund balances	<u>1,719,610</u>	<u>10,784,468</u>	<u>12,504,078</u>
Total liabilities and fund balances	<u>\$ 2,241,015</u>	<u>11,082,697</u>	<u>13,323,712</u>

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2019

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES:			
Local and intermediate sources	\$ 1,979,703	326,834	2,306,537
State program revenues	536,080	-	536,080
Federal program revenues	2,174,138	-	2,174,138
	<hr/>	<hr/>	<hr/>
Total revenues	4,689,921	326,834	5,016,755
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Current:			
Instruction	2,171,437	408,714	2,580,151
Instructional resources and media services	84,697	-	84,697
Curriculum and staff development	227,242	71,836	299,078
School leadership	75,826	12,904	88,730
Guidance, counseling and evaluation services	1,323,764	-	1,323,764
Health services	2,456	-	2,456
Student transportation	111,000	376,823	487,823
Extracurricular activities	194,197	-	194,197
General administration	1,436	3,968	5,404
Facilities maintenance and operations	44,494	66,689	111,183
Security and monitoring services	9,073	22,020	31,093
Data processing services	-	297,899	297,899
Community services	1,772	-	1,772
Principal on long-term debt	221,158	-	221,158
Interest on long-term debt	7,829	-	7,829
Facilities acquisition and construction	26,870	4,496,235	4,523,105
	<hr/>	<hr/>	<hr/>
Total expenditures	4,503,251	5,757,088	10,260,339
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of revenues over (under) expenditures	186,670	(5,430,254)	(5,243,584)
Net change in fund balances	186,670	(5,430,254)	(5,243,584)
Fund balances--beginning	1,532,940	16,214,722	17,747,662
	<hr/>	<hr/>	<hr/>
Fund balances--ending	\$ 1,719,610	10,784,468	12,504,078
	<hr/>	<hr/>	<hr/>

EANES INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2019

	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
ASSETS:							
Cash and cash equivalents	\$ -	7,569	249	-	-	-	-
Due from other governments	21,036	110,607	3,417	49,669	2,280	15,111	7,890
Prepaid items	-	-	-	-	-	-	-
Total assets	<u>\$ 21,036</u>	<u>118,176</u>	<u>3,666</u>	<u>49,669</u>	<u>2,280</u>	<u>15,111</u>	<u>7,890</u>
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	\$ -	4,206	-	45,435	-	-	-
Payroll deductions and withholdings payable	3,001	14,417	510	-	-	1,006	-
Accrued wages payable	17,990	99,553	3,156	-	-	14,070	7,890
Due to other funds	45	-	-	4,234	2,280	35	-
Total liabilities	<u>21,036</u>	<u>118,176</u>	<u>3,666</u>	<u>49,669</u>	<u>2,280</u>	<u>15,111</u>	<u>7,890</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>\$ 21,036</u>	<u>118,176</u>	<u>3,666</u>	<u>49,669</u>	<u>2,280</u>	<u>15,111</u>	<u>7,890</u>

(continued)

EANES INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2019

	385	393	397	410	427
	Visually Impaired	Texas Successful Schools	Advanced Placement Initiatives	State Instructional Materials	Texas Commission Environmental Quality
ASSETS:					
Cash and cash equivalents	\$ -	15,499	28,257	121,631	-
Due from other governments	6,994	-	-	171,308	111,000
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 6,994</u>	<u>15,499</u>	<u>28,257</u>	<u>292,939</u>	<u>111,000</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ -	-	-	149,012	-
Payroll deductions and withholdings payable	-	-	-	-	-
Accrued wages payable	-	-	-	-	-
Due to other funds	6,994	-	-	-	111,000
Total liabilities	<u>6,994</u>	<u>-</u>	<u>-</u>	<u>149,012</u>	<u>111,000</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	15,499	28,257	143,927	-
Total fund balances	<u>-</u>	<u>15,499</u>	<u>28,257</u>	<u>143,927</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 6,994</u>	<u>15,499</u>	<u>28,257</u>	<u>292,939</u>	<u>111,000</u>

(continued)

EANES INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2019

	429	461	496	499	
		Campus Activity Funds	TASB Loss Prevention	Other Local	Total Nonmajor Special Revenue Funds
ASSETS:	Other State				
Cash and cash equivalents	\$ -	916,130	2,466	648,042	1,739,843
Due from other governments	-	-	-	-	499,312
Prepaid items	-	-	-	1,860	1,860
Total assets	<u>\$ -</u>	<u>916,130</u>	<u>2,466</u>	<u>649,902</u>	<u>2,241,015</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ -	17,647	-	14,398	230,698
Payroll deductions and withholdings payable	-	19	-	22	18,975
Accrued wages payable	-	4,473	-	-	147,132
Due to other funds	-	2	-	10	124,600
Total liabilities	<u>-</u>	<u>22,141</u>	<u>-</u>	<u>14,430</u>	<u>521,405</u>
Fund balances:					
Nonspendable	-	-	-	1,860	1,860
Committed	-	893,989	-	-	893,989
Assigned	-	-	2,466	633,612	823,761
Total fund balances	<u>-</u>	<u>893,989</u>	<u>2,466</u>	<u>635,472</u>	<u>1,719,610</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>916,130</u>	<u>2,466</u>	<u>649,902</u>	<u>2,241,015</u>

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2019

	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
REVENUES:							
Local and intermediate sources	\$ -	-	-	-	-	-	-
State program revenues	-	-	-	-	-	-	-
Federal program revenues	139,094	1,461,283	23,124	395,914	48,909	87,896	17,918
Total revenues	139,094	1,461,283	23,124	395,914	48,909	87,896	17,918
EXPENDITURES:							
Current:							
Instruction	139,094	546,851	23,124	385,921	43,969	87,896	16,503
Instructional resources and media services	-	-	-	-	-	-	-
Curriculum and staff development	-	4,200	-	6,260	1,940	-	1,230
School leadership	-	-	-	3,733	-	-	-
Guidance, counseling and evaluation services	-	908,288	-	-	3,000	-	185
Health services	-	1,944	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-	-
General administration	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-	-
Security and monitoring services	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-
Principal on long-term debt	-	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Total expenditures	139,094	1,461,283	23,124	395,914	48,909	87,896	17,918
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-
Beginning fund balances	-	-	-	-	-	-	-
Ending fund balances	\$ -	-	-	-	-	-	-

(continued)

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended June 30, 2019

	385	393	397	410	427
	Visually Impaired	Texas Successful Schools	Advanced Placement Initiatives	State Instructional Materials	Texas Commission Environmental Quality
REVENUES:					
Local and intermediate sources	\$ -	-	-	-	-
State program revenues	6,994	-	-	416,836	111,000
Federal program revenues	-	-	-	-	-
Total revenues	6,994	-	-	416,836	111,000
EXPENDITURES:					
Current:					
Instruction	6,994	-	-	532,557	-
Instructional resources and media services	-	-	-	-	-
Curriculum and staff development	-	-	-	15,439	-
School leadership	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	-	-	-
Health services	-	-	-	-	-
Student transportation	-	-	-	-	111,000
Extracurricular activities	-	-	-	-	-
General administration	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-
Security and monitoring services	-	-	-	-	-
Community services	-	-	-	-	-
Principal on long-term debt	-	-	-	221,158	-
Interest on long-term debt	-	-	-	7,829	-
Facilities acquisition and construction	-	-	-	-	-
Total expenditures	6,994	-	-	776,983	111,000
Excess (deficiency) of revenues over					
(under) expenditures	-	-	-	(360,147)	-
Net change in fund balances	-	-	-	(360,147)	-
Beginning fund balances	-	15,499	28,257	504,074	-
Ending fund balances	\$ -	15,499	28,257	143,927	-

(continued)

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended June 30, 2019

	429	461	496	499	Total Nonmajor Special Revenue Funds
	Other State	Campus Activity Funds	TASB Loss Prevention	Other Local	
REVENUES:					
Local and intermediate sources	\$ -	1,116,256	-	863,447	1,979,703
State program revenues	250	-	1,000	-	536,080
Federal program revenues	-	-	-	-	2,174,138
Total revenues	250	1,116,256	1,000	863,447	4,689,921
EXPENDITURES:					
Current:					
Instruction	-	78,920	970	308,638	2,171,437
Instructional resources and media services	297	50,780	-	33,620	84,697
Curriculum and staff development	250	123,427	-	74,496	227,242
School leadership	-	37,214	-	34,879	75,826
Guidance, counseling and evaluation services	-	410,037	-	2,254	1,323,764
Health services	-	-	-	512	2,456
Student transportation	-	-	-	-	111,000
Extracurricular activities	-	52,916	-	141,281	194,197
General administration	-	496	-	940	1,436
Facilities maintenance and operations	-	1,577	-	42,917	44,494
Security and monitoring services	-	180	1,403	7,490	9,073
Community services	-	-	-	1,772	1,772
Principal on long-term debt	-	-	-	-	221,158
Interest on long-term debt	-	-	-	-	7,829
Facilities acquisition and construction	-	-	-	26,870	26,870
Total expenditures	547	755,547	2,373	675,669	4,503,251
Excess (deficiency) of revenues over					
(under) expenditures	(297)	360,709	(1,373)	187,778	186,670
Net change in fund balances	(297)	360,709	(1,373)	187,778	186,670
Beginning fund balances	297	533,280	3,839	447,694	1,532,940
Ending fund balances	\$ -	893,989	2,466	635,472	1,719,610

EANES INDEPENDENT SCHOOL DISTRICT

Combining Balance Sheet Nonmajor Capital Projects Funds June 30, 2019

	619	661	665	690	691	692	Total Nonmajor Capital Projects Funds
	Resources from Series 2019 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	
ASSETS-							
Cash and cash equivalents	\$ -	120,506	2,075,518	3,466,626	380,846	5,039,201	11,082,697
Total assets	<u>\$ -</u>	<u>120,506</u>	<u>2,075,518</u>	<u>3,466,626</u>	<u>380,846</u>	<u>5,039,201</u>	<u>11,082,697</u>
LIABILITIES AND							
FUND BALANCES:							
Liabilities:							
Accounts payable	\$ 222,436	-	61,414	-	6,319	-	290,169
Payroll deductions and withholdings payable	-	620	-	-	-	-	620
Accrued wages payable	-	5,353	-	-	-	-	5,353
Due to other funds	2,060	27	-	-	-	-	2,087
Total liabilities	<u>224,496</u>	<u>6,000</u>	<u>61,414</u>	<u>-</u>	<u>6,319</u>	<u>-</u>	<u>298,229</u>
Fund balances:							
Restricted	-	114,506	2,014,104	3,466,626	374,527	5,039,201	11,008,964
Unassigned	(224,496)	-	-	-	-	-	(224,496)
Total fund balances	<u>(224,496)</u>	<u>114,506</u>	<u>2,014,104</u>	<u>3,466,626</u>	<u>374,527</u>	<u>5,039,201</u>	<u>10,784,468</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>120,506</u>	<u>2,075,518</u>	<u>3,466,626</u>	<u>380,846</u>	<u>5,039,201</u>	<u>11,082,697</u>

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Capital Projects Funds
Year Ended June 30, 2019

	619	661	665	690	691	692	Total Nonmajor Capital Projects Funds
	Resources from Series 2019 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	
REVENUES-							
Local and intermediate sources	\$ -	15,867	88,546	88,514	13,183	120,724	326,834
Total revenues	-	15,867	88,546	88,514	13,183	120,724	326,834
EXPENDITURES:							
Current:							
Instruction	2,239	5,555	383,881	17,039	-	-	408,714
Curriculum and staff development	-	71,836	-	-	-	-	71,836
School leadership	-	12,904	-	-	-	-	12,904
Student transportation	-	-	376,823	-	-	-	376,823
General administration	218	3,750	-	-	-	-	3,968
Facilities maintenance and operations	-	59,046	7,643	-	-	-	66,689
Security and monitoring services	-	7,306	14,714	-	-	-	22,020
Data processing services	150	197,234	100,515	-	-	-	297,899
Facilities acquisition and construction	221,889	-	3,207,509	660,424	406,413	-	4,496,235
Total expenditures	224,496	357,631	4,091,085	677,463	406,413	-	5,757,088
Excess (deficiency) of revenues over (under) expenditures	(224,496)	(341,764)	(4,002,539)	(588,949)	(393,230)	120,724	(5,430,254)
Fund balances--beginning	-	456,270	6,016,643	4,055,575	767,757	4,918,477	16,214,722
Fund balances--ending	\$ (224,496)	114,506	2,014,104	3,466,626	374,527	5,039,201	10,784,468

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2019

	701	711	712	713	715	Total Nonmajor Enterprise Funds
	Child Nutrition	Community Education	Child Development Center	Easy Care After School	Facility Rentals	
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ -	689,935	604,885	849,858	482,945	2,627,623
Other receivables	-	-	-	-	40,107	40,107
Inventories, at cost	41,529	-	-	-	-	41,529
Prepaid items	-	10,311	3,019	-	-	13,330
Total current assets	41,529	700,246	607,904	849,858	523,052	2,722,589
Noncurrent assets-						
Capital assets:						
Land improvements	-	-	-	-	9,625	9,625
Buildings and improvements	138,191	-	36,736	-	-	174,927
Furniture and equipment	1,790,558	59,497	-	-	-	1,850,055
Accumulated depreciation	(1,041,123)	(59,497)	(10,948)	-	-	(1,111,568)
Total noncurrent assets	887,626	-	25,788	-	9,625	923,039
Total assets	929,155	700,246	633,692	849,858	532,677	3,645,628
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ 5,300	9,458	-	2,939	2,174	19,871
Payroll deductions and withholdings payable	46,899	647	15,588	3,141	215	66,490
Accrued wages payable	166,629	84,890	93,295	21,218	2,155	368,187
Due to other funds	173,868	103	-	-	-	173,971
Unearned revenue	259,098	82,927	13,582	23,864	-	379,471
Total liabilities	651,794	178,025	122,465	51,162	4,544	1,007,990
NET POSITION:						
Net investment in capital assets	887,626	-	25,788	-	9,625	923,039
Unrestricted	(610,265)	522,221	485,439	798,696	518,508	1,714,599
Total net position	\$ 277,361	522,221	511,227	798,696	528,133	2,637,638

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds
Year Ended June 30, 2019

	701	711	712	713	715	Total Nonmajor Enterprise Funds
	Child Nutrition	Community Education	Child Development Center	Easy Care After School	Facility Rentals	
Operating revenues-						
Charges for services	\$ 3,665,388	912,640	1,504,215	811,735	752,474	7,646,452
Operating expenses:						
Payroll costs	1,733,395	448,483	1,293,137	324,266	193,957	3,993,238
Professional and contracted services	96,836	224,917	5,822	4,154	24,426	356,155
Supplies and materials	1,895,109	48,136	31,057	27,357	4,409	2,006,068
Other operating	7,320	37,275	14,357	22,096	1,549	82,597
Depreciation	101,551	-	3,684	-	-	105,235
Total operating expenses	3,834,211	758,811	1,348,057	377,873	224,341	6,543,293
Operating income (loss)	(168,823)	153,829	156,158	433,862	528,133	1,103,159
Nonoperating revenues:						
State program revenues	4,028	-	-	-	-	4,028
Federal program revenues	149,790	-	-	-	-	149,790
Total nonoperating revenues	153,818	-	-	-	-	153,818
Income (loss) before transfers	(15,005)	153,829	156,158	433,862	528,133	1,256,977
Transfers out	-	(43,333)	(43,333)	(43,334)	(670,208)	(800,208)
Change in net position	(15,005)	110,496	112,825	390,528	(142,075)	456,769
Total net position--beginning	292,366	411,725	398,402	408,168	670,208	2,180,869
Total net position--ending	\$ 277,361	522,221	511,227	798,696	528,133	2,637,638

EANES INDEPENDENT SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2019

	701	711	712	713	715	Total Nonmajor Enterprise Funds
	Child Nutrition	Community Education	Child Development Center	Easy Care After School	Facility Rentals	
Cash flows from operating activities:						
Receipts from customers/contributors	\$ 3,697,914	995,567	1,506,824	816,821	816,158	7,833,284
Payments to suppliers	(1,953,536)	(311,696)	(54,455)	(53,184)	(30,037)	(2,402,908)
Payments to employees	(1,742,587)	(421,134)	(1,299,635)	(322,750)	(192,817)	(3,978,923)
Net cash provided by operating activities	1,791	262,737	152,734	440,887	593,304	1,451,453
Cash flows from noncapital financing activities:						
Transfers to other funds	-	(43,333)	(43,333)	(43,334)	(670,208)	(800,208)
State program revenues	4,028	-	-	-	-	4,028
Federal program revenues	91,333	-	-	-	-	91,333
Net cash provided by (used in) noncapital financing activities	95,361	(43,333)	(43,333)	(43,334)	(670,208)	(704,847)
Cash flows from capital and related financing activities-						
Purchase of capital assets	(97,152)	-	-	-	-	(97,152)
Net change in cash and cash equivalents	-	219,404	109,401	397,553	(76,904)	649,454
Cash and cash equivalents--beginning of the year	-	470,531	495,484	452,305	559,849	1,978,169
Cash and cash equivalents--end of the year	\$ -	689,935	604,885	849,858	482,945	2,627,623
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ (168,823)	153,829	156,158	433,862	528,133	1,103,159
Adjustments to reconcile operating income (loss) to net cash provided by operating activities :						
Depreciation	101,551	-	3,684	-	-	105,235
Federal commodities received	58,457	-	-	-	-	58,457
Decrease in other receivables	-	-	-	-	63,684	63,684
Increase in inventory	(3,014)	-	-	-	-	(3,014)
Increase in prepaid items	-	(397)	(3,019)	-	-	(3,416)
Increase (decrease) in accounts payable	1,827	(1,025)	(200)	423	347	1,372
Increase (decrease) in payroll deductions and withholdings payable	(3,636)	(55)	(1,350)	45	(400)	(5,396)
Increase (decrease) in accrued wages payable	(5,556)	27,404	(5,148)	1,471	1,540	19,711
Increase (decrease) in due to other funds	(11,541)	54	-	-	-	(11,487)
Increase in unearned revenue	32,526	82,927	2,609	5,086	-	123,148
Net cash provided by operating activities	\$ 1,791	262,737	152,734	440,887	593,304	1,451,453

EANES INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Debt Service Fund
Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES:				
Local and intermediate sources	\$ 21,519,333	21,610,887	21,767,982	157,095
State program revenues	140,523	140,523	129,725	(10,798)
Total revenues	<u>21,659,856</u>	<u>21,751,410</u>	<u>21,897,707</u>	<u>146,297</u>
EXPENDITURES:				
Principal on long-term debt	14,005,000	16,195,000	16,195,000	-
Interest on long-term debt	4,996,063	4,996,063	4,962,688	33,375
Other debt service expenditures	30,000	30,000	14,225	15,775
Total expenditures	<u>19,031,063</u>	<u>21,221,063</u>	<u>21,171,913</u>	<u>49,150</u>
Excess of revenues over expenditures	<u>2,628,793</u>	<u>530,347</u>	<u>725,794</u>	<u>195,447</u>
Net change in fund balance	2,628,793	530,347	725,794	195,447
Fund balance--beginning	<u>21,622,920</u>	<u>21,622,920</u>	<u>21,622,920</u>	<u>-</u>
Fund balance--ending	<u><u>\$ 24,251,713</u></u>	<u><u>22,153,267</u></u>	<u><u>22,348,714</u></u>	<u><u>195,447</u></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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES:				
Local and intermediate sources	\$ 3,633,100	3,699,171	3,665,388	(33,783)
State program revenues	5,000	5,000	4,028	(972)
Federal program revenues	140,000	145,000	149,790	4,790
Total revenues	3,778,100	3,849,171	3,819,206	(29,965)
EXPENSES:				
Food services	3,565,587	3,636,658	3,598,331	38,327
Facilities maintenance and operations	238,400	238,400	235,880	2,520
Total expenses	3,803,987	3,875,058	3,834,211	40,847
Change in net position	(25,887)	(25,887)	(15,005)	10,882
Total net position--beginning	292,366	292,366	292,366	-
Total net position--ending	<u>\$ 266,479</u>	<u>266,479</u>	<u>277,361</u>	<u>10,882</u>

OTHER SCHEDULES

EANES INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Year Ended June 30, 2019

Last Ten Years Ended June 30*	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 6/30/2018	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 6/30/2019
	Maintenance	Debt Service							
2010 and earlier	Various	Various	Various	\$ 1,173,241	-	10,887	8,797	(3,992)	1,149,565
2011	1.0400	0.1625	8,423,512,913	113,371	-	3,261	510	-	109,600
2012	1.0400	0.1725	8,453,820,341	71,663	-	6,796	1,127	-	63,740
2013	1.0400	0.1725	8,768,038,358	91,509	-	6,655	1,104	-	83,750
2014	1.0400	0.1725	9,223,025,771	95,473	-	11,100	1,841	(45)	82,487
2015	1.0400	0.1725	10,150,514,818	94,545	-	27,728	4,599	9,883	72,101
2016	1.0400	0.1725	11,142,016,675	142,359	-	36,537	6,060	10,879	110,641
2017	1.0400	0.1725	12,347,242,347	315,170	-	56,985	9,452	(35,746)	212,987
2018	1.0600	0.1400	13,068,122,738	1,010,130	-	481,948	63,654	(142,965)	321,563
2019	1.0600	0.1400	13,671,949,330	-	184,423,260	161,287,978	21,302,186	(459,577)	1,373,519
Totals				\$ 3,107,461	184,423,260	161,929,875	21,399,330	(621,563)	3,579,953

* 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, 2019

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.	\$ 832,133
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 24,861,863
SF13	Pension Expense (6147) at fiscal year-end.	\$ -
SF14	Net OPEB Liabilities (2545) at fiscal year-end.	\$ 31,701,409

FEDERAL AWARDS SECTION



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Trustees of
Eanes Independent School District:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eanes Independent School District (the "District"), as of and for the year ended June 30, 2019, 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 22, 2019.

Internal Control Over Financial Reporting

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

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maxwell Locke + Ritter LLP

Austin, Texas
October 21, 2019



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

The Board of Trustees of
Eanes Independent School District:

Report on Compliance for the Major Federal Program

We have audited Eanes Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2019. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

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, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on the major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 21, 2019

EANES INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed Through Texas Education Agency:</u>			
Title I Grants to Local Educational Agencies	84.010A	18610101227909	\$ 2,228
Title I Grants to Local Educational Agencies	84.010A	19610101227909	136,866
Total CFDA Number 84.010A			139,094
Special Education Cluster:			
Special Education Grants to States (IDEA - Part B, Formula)	84.027A	186600012279096600	639,411
Special Education Grants to States (IDEA - Part B, Formula)	84.027A	196600012279096600	821,872
Special Education Grants to States (IDEA - Part B, Discretionary Residential)	84.027A	186600122279096677	32,750
Special Education Grants to States (IDEA - Part B, Discretionary Residential)	84.027A	196600122279096677	315,617
Special Education Grants to States (IDEA - Part B, High Cost Risk Pool)	84.027A	66001806	37,554
Special Education Grants to States (IDEA - Part B, High Cost Risk Pool)	84.027A	18660077227909	9,993
Total CFDA Number 84.027A			1,857,197
Special Education Preschool Grants (IDEA - Part B, Preschool)	84.173A	186610012279096610	1,463
Special Education Preschool Grants (IDEA - Part B, Preschool)	84.173A	196610012279096610	21,661
Total CFDA Number 84.173A			23,124
Total for Special Education Cluster			1,880,321
Career and Technical Education - Basic Grants to States	84.048A	19420006227909	48,909
English Language Acquisition State Grants	84.365A	18671001227909	8,002
English Language Acquisition State Grants	84.365A	19671001227909	9,916
Total CFDA Number 84.365A			17,918
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	18694501227909	1,448
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	19694501227909	86,448
Total CFDA Number 84.367A			87,896
Total Passed Through Texas Education Agency			2,174,138
TOTAL DEPARTMENT OF EDUCATION			2,174,138
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster:			
<u>Passed Through Texas Education Agency-</u>			
National School Lunch Program	10.555	71301901	91,333
<u>Passed Through the Texas Department of Human Services-</u>			
Non-cash assistance - Food Distribution Program	10.555	71301901	58,457
Total CFDA Number 10.555			149,790
Total Child Nutrition Cluster			149,790
TOTAL DEPARTMENT OF AGRICULTURE			149,790
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,323,928

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, 2019

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, 2019. 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, 2019

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, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings required to be reported in accordance with *Government Auditing Standards* for the years ended June 30, 2019 and June 30, 2018.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There was one finding required to be reported in accordance with 2 CFR 200.516(a) for the year ended June 30, 2019. There were no findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) for the year ended June 30, 2018.

Finding Relating to Federal Awards Reported in Accordance with 2 CFR 200.516(a):

2019-001

Federal Program:	Special Education Cluster - CFDA #84.027A and #84.173A; Federal Award Numbers - 186600012279096600, 196600012279096600, 186600122279096677, 19660012227909667, 18660077227909, and 66001806; Passed through the Texas Education Agency
Criteria:	The District must follow the procurement standards set out within Uniform Guidance at 2 CFR sections 200.318 through 200.326. Per Uniform Guidance 2 CFR section 200.320(b), if a small purchase procedure is used, the District must obtain an adequate number of price or rate quotations from qualified sources.
Condition /Context:	The District did not obtain price or rate quotations from qualified sources for selections procured under the small purchase procedure method.
Questioned Costs:	None
Effect:	Noncompliance with the Procurement requirements of the OMB Compliance Supplement.
Cause:	This was the implementation year for the District's procurement policy under Uniform Guidance.
Recommendations:	The District should identify purchases that will exceed the micro-purchase threshold amount during the requisition process and obtain an adequate number of price or rate quotes when the small purchase procedure method is used to procure items.
Views of Responsible Officials and Planned Corrective Actions:	See Schedule of Corrective Action Plan



**SCHEDULE OF CORRECTIVE ACTION PLAN
(AUDITEE PREPARED)**

YEAR ENDING JUNE 30, 2019

FINDING 2019-001

Planned Corrective Action: Commencing immediately, the District will review procurement standards set within the Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (commonly called "Uniform Guidance") at 2 CFR sections 200.318 through 200.326 and review and revise procedures to ensure with regard to the small purchase procedure method by obtaining an adequate number of price and/or rate quotes, as outlined. Management will monitor this issue regularly during the year to ensure compliance.

Responsible Party: Maria Rockstead, Director of Finance

Estimated Completion Date: November 30, 2019