

EULA INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED
AUGUST 31, 2015

EULA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR
THE YEAR ENDED AUGUST 31, 2015
TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	<u>Introductory Section</u>	
	Certificate of Board.....	1
	<u>Financial Section</u>	
	Independent Auditors' Report.....	2
	Management's Discussion and Analysis (Required Supplementary Information).....	4
	<u>Basic Financial Statements</u>	
	Government-wide Financial Statements:	
A-1	Statement of Net Position	10
B-1	Statement of Activities.....	11
	Governmental Fund Financial Statements:	
C-1	Balance Sheet – Governmental Funds	12
C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	13
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	14
C-4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
	Proprietary Fund Financial Statements	
D-1	Statement of Net Position – Proprietary Fund	16
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Position— Proprietary Fund	17
D-3	Statement of Cash Flows – Proprietary Fund	18
	Fiduciary Fund Financial Statements	
E-1	Statement of Fiduciary Net Position – Fiduciary Funds	19
E-2	Statement of Changes in Fiduciary Net Position – Fiduciary Funds	20
	Notes to the Financial Statements	21
	<u>Required Supplementary Information</u>	
G-1	Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund.....	40
G-2	Schedule of the District's Proportionate Share of the Net Pension Liability – TRS	41
G-3	Schedule of the District's Contributions – TRS.....	42
	<u>Other Supplementary Information</u>	
H-1	Combining Balance Sheet – Nonmajor Governmental Funds	43
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	44
	<u>Required TEA Schedules</u>	
J-1	Schedule of Delinquent Taxes Receivable.....	45
J-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Child Nutrition Fund	46
J-5	Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Debt Service Fund	47
	<u>Other Information Required by GAO</u>	
	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 <i>Government Auditing Standards</i>	48
	Schedule of Findings and Responses	49
	Schedule of Status of Prior Findings.....	50
L-1	Schedule L – Schools First Questionnaire	51

INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Eula Independent School District
Name of School District

Callahan
County

030-906
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) X approved _____ disapproved for the year ended August 31, 2015, at a meeting of the board of trustees of such school district on the 12th day of October, 2015.



Signature of Board Secretary



Signature of Board President

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

FINANCIAL SECTION

Merritt, McLane & Hamby

401 Cypress Street, Suite 303
Abilene, TX 79601

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Eula Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eula Independent School District (the District) as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, each major fund, and the aggregate remaining fund information of Eula Independent School District as of August 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance prescribed by GASB No. 68 for its pension plan, a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. Because GASB No. 68 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements. Exhibit A-1 discloses the District's Net Pension Liability and some deferred resource outflows and deferred resource inflows related to the District's pension plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Position. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and TRS schedules on pages 4 through 9 and 40 through 42 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 Eula Independent School District's basic financial statements. The introductory section, combining and nonmajor fund financial statements, schedule L, and the TEA required schedules listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section, required TEA schedules, and schedule L have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2015, on our consideration of Eula Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eula Independent School District's internal control over financial reporting and compliance.



MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
October 5, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of Eula Independent School District (the "District"), discuss and analyze the District's financial performance for the twelve months ended August 31, 2015. Please read it in conjunction with the independent auditor's report and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$1,759,863 at August 31, 2015 which was an increase of 34.8%.
- The District's expenses were \$4,793,634 versus revenue at \$5,248,213 for an increase to net position of \$454,579.
- The total cost of the District's programs increased \$92,975 from last year.
- The general fund reported a fund balance this year of \$1,392,265.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by the Texas Education Agency (TEA). The sections labeled TEA Required Schedules and Other Information Required by GAO contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations and operations begins with the Statement of Net Position (Exhibit A-1). Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition

received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in net position. The District's net position (the difference between assets and deferred outflows, and liabilities and deferred inflows) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities

In the Statement of Net Position and the Statement of Activities, we have presented the District as one kind of activity (governmental activities).

Governmental activities – All of the District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, fees, state funding, and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin with the Governmental Funds Balance Sheet (Exhibit C-1) and provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds (governmental and proprietary) use different accounting approaches.

- Governmental funds – Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation schedule following each of the fund financial statements.
- Proprietary fund – The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds which the District does not have at present) are the business-type activities reported in the government-wide statements but contain more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds in Exhibits D-1, D-2, and D-3) report activities that provide supplies and services for the District's other programs and activities – such as the District's self-insurance programs.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and prior student scholarship programs. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position (Exhibit E-1). We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The analysis below presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table A-1) and changes in net position (Table A-2) of the District's governmental activities.

Net position of the District's governmental activities increased from \$1,305,284 to \$1,759,863. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$1,193,972 at August 31, 2015.

Table A-1
Eula Independent School District's Net Position

	Governmental Activities		Percentage Change
	2015	2014	
Current and Other Assets	\$ 2,273,640	\$ 2,349,499	-3.23%
Capital and Non-Current Assets	6,310,446	6,088,869	3.64%
Total Assets	8,584,086	8,438,368	1.73%
Deferred Outflows of Resources	76,925		100.00%
Current Liabilities	122,861	259,627	-52.68%
Long Term Liabilities	6,698,014	6,576,141	1.85%
Total Liabilities	6,820,875	6,835,768	-0.22%
Deferred Inflows of Resources	80,273		100.00%
Net Position			
Net Investment in Capital Assets	(133,704)	651,169	-120.53%
Restricted	699,595	146,075	378.93%
Unrestricted	1,193,972	805,356	48.25%
Total Net Position	\$ 1,759,863	\$ 1,602,600	9.81%

At the end of the 2014-2015 school year, the enrollment for the District was 405, an increase of 60 from the prior year. The average daily attendance was (ADA) was 385 which was an increase of 15% over the prior year.

The District's Maintenance & Operations (M&O) tax rate remained at \$1.17 per \$100 of valuation and the Debt Service (I&S) tax rate increased to \$0.27.

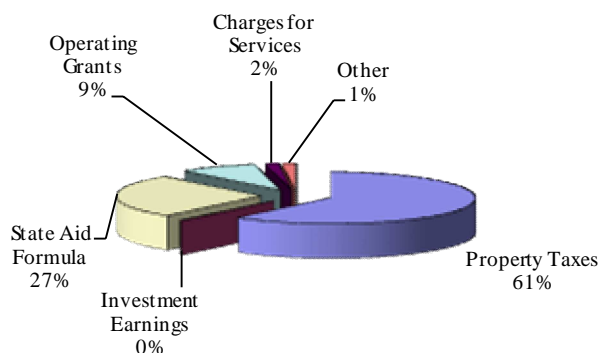
The cost of all governmental activities for the current fiscal year was \$4,793,634. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$3,203,306, which is \$237,235 more than last year's total of \$2,966,071. The District's total revenues were \$5,248,213. A significant portion, 61 percent, of the District's revenue comes from taxes. (See Figure A-3.) \$1,427,358 (27 percent) comes from state aid – formula, while less than 2 % relates to charges for services.

Table A-2
Changes in Eula Independent School District's Net Position

	Governmental Activities		Total % Change
	2015	2014	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 78,553	77,026	1.98%
Operating Grants and Contributions	455,938	448,040	1.76%
<u>General Revenues</u>			
Property Taxes	3,203,306	2,966,071	8.00%
State aid - formula	1,427,358	781,810	82.57%
Investment earnings	6,871	5,795	18.57%
Other	76,187	44,871	69.79%
Total Revenues	5,248,213	4,323,613	

Expenses			
Instruction and instructional related	2,387,311	2,367,792	0.82%
Instructional and school leadership	181,285	153,987	17.73%
Guidance, social work, health, transportation	280,662	299,746	-6.37%
Food Services	367,877	350,198	5.05%
Extracurricular activities	97,686	111,212	-12.16%
General administration	355,804	364,666	-2.43%
Plant maintenance and operations	705,859	652,598	8.16%
Security and monitoring	705	470	50.00%
Data processing service	23,059	24,955	-7.60%
Debt service - interest on long term debt	241,062	253,941	-5.07%
Debt service - bond issuance costs and fees	103,690	71,574	44.87%
Pmts to fiscal agent/member districts - shared services	48,634	49,520	-1.79%
Total Expenses	4,793,634	4,700,659	
Decrease in Net Position	454,579	(377,046)	
Beginning Net Position	1,602,600	1,979,646	
Prior Period Adjustment	(297,316)		
Ending Net Position	\$ 1,759,863	\$ 1,602,600	

Figure A-3 District Sources of Revenue for Fiscal Year 2015



THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$5,234,434 an increase of 21% from the preceding year. Local revenue increased approximately \$260,000 as a result of the increase in property tax revenue. The state aid revenue increased approximately 64%. The increase in federal revenues of approximately \$20,000 represents a 9% increase from the prior year.

General Fund Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated on August 31, 2014). The second category includes changes that the Trustees made during the year to take into account the changes in operations. The third category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs. With these adjustments, actual expenditures in the General Fund were \$186,092 under final budget amounts. The budget was amended and increased approximately 6.6% for increases in instruction, student transportation, plant maintenance & operations, general administration, facilities maintenance and operations, and payments to fiscal agent.

Resources were \$52,293 over the final budget amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had invested \$6,310,446 in a broad range of capital assets, including land, equipment, buildings, and vehicles, net of accumulated depreciation. (See Table A-4) This amount represents a net increase (including additions, deletions and depreciation expense) of 3.6% over last year.

The District plans to spend approximately \$525,000 for capital improvements for the District for the year ending August 31, 2016.

Table A-4
District's Capital Assets

	Governmental Activities		Total % Change
	2015	2014	
Land	\$ 130,169	\$ 130,169	
Buildings and improvements	12,858,821	12,540,634	2.54%
Furniture and equipment	1,187,660	840,168	41.36%
Total at historical cost	14,176,650	13,510,971	4.93%
Total accumulated depreciation	7,866,204	7,422,103	5.98%
Net capital assets	\$ 6,310,446	\$ 6,088,868	3.64%

Debt

At year-end, the District had \$6,128,300 in bonds. See table A-5 below.

Table A-5
District's Long Term Debt

	2015	2014
Unlimited Tax		
Refunding Bonds, Series 2005	\$	\$ 4,005,000
Unlimited Tax School		
Building Bonds, Series 2014A	1,240,300	1,277,648
Unlimited Tax School		
Building Bonds, Series 2014B	1,188,000	1,222,351
Unlimited Tax		
Refunding Bonds, Series 2015	3,700,000	
Total Bonds	6,128,300	6,504,999
Premium on Series 2014A	34,237	36,039
Premium on Series 2014B	33,348	35,103
Premium on Series 2015	239,717	
Total	\$ 6,435,602	\$ 6,576,141

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2015-2016 budget preparation decreased \$3,175,909 or 1.4% from the previous year. The decrease in property values is expected to cause a slight decrease in property tax revenue.
- General operating fund spending per student increased in the 2016 budget to \$11,618, a \$7 per student increase.

The district's 2016 refined average daily attendance is expected to be 335.

These indicators were taken into account when adopting the general fund budget for 2016. State revenue will continue to decrease as state funding for education decreases.

Expenditures are budgeted at \$3,891,914, which is an increase of 8.9% compared to prior year expenditures.

If these estimates are realized, the District's budgetary general fund fund balance is expected to increase by \$17,945 by the close of 2016.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 office, at Eula Independent School District, 6040 FM 603, Clyde, Texas 79510 (325) 529-3186.

BASIC FINANCIAL STATEMENTS

EULA INDEPENDENT SCHOOL DISTRICT

EXHIBIT A-1

STATEMENT OF NET POSITION

AUGUST 31, 2015

<u>Data Control Codes</u>		<u>Governmental Activities</u>
ASSETS		
1110	Cash and cash equivalents	\$ 391,123
1120	Investments	512,515
1220	Property taxes receivable, net	165,616
1230	Allowance for uncollectible taxes	(99,126)
1240	Due from other governments	623,504
	Capital assets:	
1510	Land	130,169
1520	Buildings, net	5,599,257
1530	Furniture and equipment, net	581,020
1800	Restricted assets	<u>680,008</u>
1000	Total Assets	<u>8,584,086</u>
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred outflow related to TRS	<u>76,925</u>
1700	Total Deferred Outflows of Resources	<u>76,925</u>
LIABILITIES		
2110	Accounts payable	14,119
2140	Interest payable	8,548
2160	Accrued wages payable	78,335
2200	Accrued expenses	21,859
	Noncurrent liabilities	
2501	Due within one year	281,000
2502	Due in more than one year	6,154,602
2540	Net pension liability (District's share)	<u>262,412</u>
2000	Total Liabilities	<u>6,820,875</u>
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred inflow related to TRS	<u>80,273</u>
2600	Total Deferred Inflows of Resources	<u>80,273</u>
NET POSITION		
3200	Net investment in capital assets	312,276
	Restricted for:	
3820	Federal or State programs	5,407
3850	Debt service	248,208
3900	Unrestricted	<u>1,193,972</u>
3000	Total Net Position	\$ <u>1,759,863</u>

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

EXHIBIT B-1

EXHIBIT B-1

Net (Expense)
Revenue and
Changes in
Net Position

-11-

GOVERNMENTAL FUND FINANCIAL STATEMENTS

EULA INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2015

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund
	ASSETS:			
1110	Cash and cash equivalents	\$ 389,597	\$	\$
1120	Investments	512,515		
1220	Property taxes, delinquent	145,916	19,700	
1230	Allowance for uncollectible taxes	(87,334)	(11,792)	
1240	Due from other governments	616,723	533	
1260	Due from other funds		13,648	
1800	Restricted assets		234,028	445,980
1000	Total Assets	\$ <u>1,577,417</u>	\$ <u>256,117</u>	\$ <u>445,980</u>
	LIABILITIES:			
2110	Accounts payable	\$ 12,761	\$	\$
2160	Accrued wages payable	75,295		
2170	Due to other funds	39,122		
2200	Accrued expenditures	(605)		
2000	Total Liabilities	<u>126,573</u>		
	DEFERRED INFLOWS OF RESOURCES:			
2601	Unavailable revenue - property tax	<u>58,579</u>	7,909	
2600	Total Deferred Inflow of Resources	<u>58,579</u>	<u>7,909</u>	
	FUND BALANCES:			
	Restricted fund balance:			
3450	Federal or State funds			
3470	Capital project funds			445,980
3480	Debt service funds		248,208	
3600	Unassigned fund balance	<u>1,392,265</u>		
		<u>1,392,265</u>	<u>248,208</u>	<u>445,980</u>
4000	Total Liabilities, Deferred Inflows, and Fund Balances	\$ <u>1,577,417</u>	\$ <u>256,117</u>	\$ <u>445,980</u>

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

EXHIBIT C-1

Other Governmental Funds		Total Governmental Funds	
\$	1,516	\$	391,113
			512,515
			165,616
			(99,126)
	6,248		623,504
	2,032		15,680
			680,008
\$	<u>9,796</u>	\$	<u>2,289,310</u>
\$	1,358	\$	14,119
	3,040		78,335
			39,122
	(9)		(614)
	<u>4,389</u>		<u>130,962</u>
			66,488
			66,488
	5,407		5,407
			445,980
			248,208
			1,392,265
	<u>5,407</u>		<u>2,091,860</u>
\$	<u>9,796</u>	\$	<u>2,289,310</u>

EULA INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2015

Total fund balances - governmental funds balance sheet	\$ 2,091,860
Amounts reported for governmental activities in the statement of net position (SNP) are different because:	
The District uses internal service funds to charge the costs of certain activities such as self-insurance. The net effect of this consolidation is to increase net position.	979
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$13,510,971 and the accumulated depreciation was \$7,422,103.	6,088,868
Long-term liabilities of \$6,576,141 including bonds payable of \$6,504,999 are not due and payable in the current period, and therefore are not reported as liabilities in the funds.	(6,576,141)
Current year payments on debt are expenditures in the fund financial statements, but are reductions in long term debt in the SNP.	236,699
Current year capital outlays are expenditures in the fund financial statements, but are shown as increases to capital assets in SNP.	751,867
Debt proceeds are recorded as other sources in the fund statements but as long term liabilities in the government wide statements.	(3,700,000)
Refunding of bonds are other uses in the fund statements but a reduction in long term liabilities in the government wide statements.	3,840,000
Depreciation expense decreases net position in SNP.	(530,289)
The premium on the bonds must be amortized over the life of the bonds. This results in an increase in net position.	9,704
The premium on the sale of bonds are recorded as other sources in the fund financial statements but as long term liabilities in the government wide statements.	(245,864)
Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$262,412, a deferred resource inflow related to TRS in the amount of \$80,273, and a deferred resource outflow related to TRS in the amount of \$76,925. This resulted in a decrease in net position of \$265,760.	(265,760)
Various other reclassifications such as recognizing unavailable property tax revenue and accrued interest which are reported as a liability in the fund financial statements.	<u>57,940</u>
Net position of governmental activities - statement of net position	\$ <u><u>1,759,863</u></u>

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

EULA INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015**

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Project Fund
	REVENUES			
5700	Local and intermediate sources	\$ 2,677,187	\$ 595,971	231
5800	State program revenues	1,585,628		
5900	Federal program revenues			
5020	Total Revenues	<u>4,262,815</u>	<u>595,971</u>	<u>231</u>
	EXPENDITURES			
	Current:			
0011	Instruction	2,057,719		
0012	Instructional resources & media services	33,797		
0013	Curriculum & staff development	346		
0023	School Leadership	176,565		
0031	Guidance, counseling, & evaluation services	60,102		
0033	Health services	50,842		
0034	Student (Pupil) transportation	126,580		189,980
0035	Food services			
0036	Extracurricular activities	93,927		
0041	General administration	348,291		
0051	Facilities maintenance & operations	552,368		
0052	Security & monitoring services	705		
0053	Data processing services	23,059		
	Debt service:			
0071	Principal on long-term debt		236,699	
0072	Interest on long-term debt		261,386	
0073	Bond issuance cost & fees		103,690	
	Capital outlay:			
0081	Facilities acquisition & construction			502,712
	Intergovernmental:			
0093	Payments to fiscal agent/Member district of SSA	<u>48,634</u>		
6030	Total Expenditures	<u>3,572,935</u>	<u>601,775</u>	<u>692,692</u>
1100	Excess (Deficiency) of Revenues over (Under) Expenditures	<u>689,880</u>	<u>(5,804)</u>	<u>(692,461)</u>
	OTHER FINANCING SOURCES (USES)			
7911	Capital related debt issued		3,700,000	
7912	Sale of real and personal property	10,348		
7915	Transfers in			
7916	Premium on issuance of bonds		245,864	
8911	Transfers out	(60,500)		
8949	Other uses		(3,841,067)	
7080	Total Other Financing Sources and (Uses)	<u>(50,152)</u>	<u>104,797</u>	
1200	Net Change in Fund Balances	639,728	98,993	(692,461)
0100	Fund Balance - Beginning	752,537	149,215	1,138,441
3000	Fund Balance - Ending	\$ <u>1,392,265</u>	\$ <u>248,208</u>	\$ <u>445,980</u>

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

EXHIBIT C-3

Other Governmental Funds		Total Governmental Funds	
\$	77,157	\$	3,350,546
	28,851		1,614,479
	<u>269,409</u>		<u>269,409</u>
	<u>375,417</u>		<u>5,234,434</u>
	137,410		2,195,129
	26		33,823
			346
			176,565
			60,102
			50,842
			316,560
	298,952		298,952
			93,927
			348,291
			552,368
			705
			23,059
			236,699
			261,386
			103,690
			502,712
			<u>48,634</u>
	<u>436,388</u>		<u>5,303,790</u>
	<u>(60,971)</u>		<u>(69,356)</u>
			3,700,000
			10,348
	60,500		60,500
			245,864
			(60,500)
			<u>(3,841,067)</u>
	<u>60,500</u>		<u>115,145</u>
	(471)		45,789
	<u>5,878</u>		<u>2,046,071</u>
\$	<u><u>5,407</u></u>	\$	<u><u>2,091,860</u></u>

EULA INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-4

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015**

Total change in fund balances - total governmental funds	\$ 45,789
Amounts reported for governmental activities in the statement of activities (SOA) are different because:	
Current year capital outlays are expenditures in the fund financial statements, but are shown as increases to capital assets in SNA. In addition, current year retirements are shown in the government-wide financial statements but not in fund financial statements.	751,867
Depreciation expense decreases net assets in SNP.	(530,289)
Current year debt retirements are shown in the government-wide financial statements but not in fund financial statements.	236,699
Debt proceeds are recorded as other sources in the fund statements but as long term liabilities in the government wide statements.	(3,700,000)
Refunding of bonds are other uses in the fund statements but a reduction in long term liabilities in the government wide statements.	3,840,000
Accrued interest on bonds are recorded as liabilities in the government wide statements.	8,548
The premium on the sale of bonds are recorded as other sources in the fund financial statements but as long term liabilities in the government wide statements.	(245,864)
The premium on the bonds must be amortized over the life of the bonds. This results in an increase in net position.	9,704
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource inflows. These contributions made after the measurement date of 8/31/14 caused the change in the ending net position to increase in the amount of \$55,810. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded as an expense. The net pension expense decreased the change in net position by \$24,254. The result of these amounts is to increase the change in net position by \$31,556.	31,556
Various other reclassifications and eliminations including recognizing unavailable revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.	<u>6,569</u>
Change in net position - statement of activities	\$ <u><u>454,579</u></u>

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

PROPRIETARY FUND FINANCIAL STATEMENTS

EULA INDEPENDENT SCHOOL DISTRICT

EXHIBIT D-1

STATEMENT OF NET POSITION- PROPRIETARY FUND
AUGUST 31, 2015

	Internal Service Fund
ASSETS	
Current:	
Cash and cash equivalents	\$ 10
Due from general fund	<u>23,442</u>
Total Assets	<u>23,452</u>
LIABILITIES	
Current:	
Accrued expenses	<u>22,473</u>
Total Liabilities	<u>22,473</u>
NET POSITION	
Unrestricted net position	<u>979</u>
Net Position - End of Year	<u><u>\$ 979</u></u>

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

EULA INDEPENDENT SCHOOL DISTRICT

EXHIBIT D-2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED AUGUST 31, 2015

	Internal Service Fund
OPERATING REVENUES:	
Local and intermediate sources	\$ <u>5,133</u>
Total operating revenues	<u>5,133</u>
OPERATING EXPENSES:	
Professional and contracted services	<u>5,133</u>
Total operating expenses	<u>5,133</u>
Operating income	
Total Net Position- Beginning of Year	<u>979</u>
Total Net Position - End of Year	\$ <u><u>979</u></u>

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

EULA INDEPENDENT SCHOOL DISTRICT

EXHIBIT D-3

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED AUGUST 31, 2015

	<u>Internal Service Fund</u>
Cash flows from Operating Activities	
Cash payments from general fund	\$ 5,133
Cash payments for other operating expenses	<u>(5,133)</u>
Net cash provided by operating activities	<u> </u>
Net increase in cash and cash equivalents	
Cash and cash equivalents - beginning of year	<u>10</u>
Cash and cash equivalents - end of year	\$ <u><u>10</u></u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ <u><u> </u></u>

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

FIDUCIARY FUND FINANCIAL STATEMENTS

EULA INDEPENDENT SCHOOL DISTRICT

EXHIBIT E-1

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

AUGUST 31, 2015

		Private- Purpose Trust Fund	Agency Fund
	ASSETS		
Cash and cash equivalents		\$ 7,327	\$ 49,539
Total Assets		<u>7,327</u>	<u>49,539</u>
	LIABILITIES		
Due to Student Groups			49,539
Total Liabilities			<u>\$ 49,539</u>
	NET POSITION		
Restricted for scholarships		<u>7,327</u>	
Total Net Position		<u>\$ 7,327</u>	

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

EULA INDEPENDENT SCHOOL DISTRICT

EXHIBIT E-2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

	Private- Purpose Trusts
	<hr/>
Additions:	
Gifts and bequests	\$ 2,498
Total Additions	<hr/> 2,498
Deductions:	
Scholarships	<hr/> 1,015
Total Deductions	<hr/>
Change in Net Position	1,483
Net Position - Beginning of Year	<hr/> 5,844
Net Position - End of Year	\$ <hr/> <hr/> 7,327

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

EULA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Eula Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

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 measurement focus is used 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’ 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.

Reporting Entity

The Board of School Trustees has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the executive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (“TEA”) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District’s basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District’s reporting entity, as set forth in Section 2100 of GASB’s Codification of Governmental Accounting and Financial Reporting Standards. Based on the criteria, Eula Independent School District has no component units.

Basis of Presentation

The statement of net position and the statement of activities are government-wide financial statements and report information on all of the nonfiduciary activities of the District. The effect of interfund activity within the governmental activities columns have been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate, self-balancing funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column. Governmental funds are those funds through which most governmental functions typically are financed. The District has presented the following major governmental funds:

EULA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

The *Capital Projects Fund* accounts for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisition.

In addition, the District reports the following fund types:

Special Revenue Funds accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Internal Service Fund, a proprietary fund type, accounts for its workers' compensation self-insurance plan in a public entity risk pool. The General Fund is contingently liable for liabilities of these funds. Sub-fund accounting is employed to maintain the integrity of the self-insurance activities of the District.

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

Private Purpose Trust Fund accounts for donations for which the donor has stipulated that both principal and the income may be used for purposes that benefit parties outside the District.

Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do internal service fund financial statements and fiduciary fund financial statements. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the statement of activities presents increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities in the current period. The District considers property taxes as available if they are collected within 60 days after year end. The property taxes received after the 60 day period are recorded as deferred inflow of resources. A one year availability period is used for recognition of all other governmental fund revenue. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues.

EULA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, expenditures incurred but not yet reimbursed are shown as receivables. Funds received before time requirements are met but after all other eligibility requirements have been met will be reported as a deferred inflow of resources.

In accordance with the Financial Accountability Resource Guide (FAR), the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted.

Budgetary Control

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FAR module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end.

The District had no negative budget variances at August 31, 2015.

Cash and cash equivalent

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Inventory

The costs of inventory are recorded as expenditures when purchased (purchase method).

Interfund Receivables and Payables

Short-term amounts owed between funds are classified as "Due to/from other funds".

EULA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects as they are constructed.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	10-30
Furniture and equipment	5-15

Deferred Outflows/Inflows of Resources

Deferred outflows of resources refer to the consumption of net assets that are applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets. The District has no amounts recorded as deferred outflows of resources in the governmental fund financial statements and \$76,925 recorded as deferred outflows of resources in the government-wide financial statements.

Deferred inflows of resources refer to the acquisition of net assets that are applicable to a future reporting period. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Notwithstanding the similarities, Concepts Statement 5 clearly establishes that deferred inflows of resources are not liabilities. Specifically for the current period, the difference in delinquent taxes receivable and the associated allowance for uncollectible taxes of \$66,488 is considered a deferred inflow of resources in the governmental fund financial statements, while \$80,273 of deferred inflows related to TRS is considered deferred inflows of resources in the government-wide financial statements.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) are legally or contractually required to be maintained intact. The District has no funds classified as nonspendable at August 31, 2015.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation. The District has \$248,208 classified as restricted for debt service, \$445,980 for capital projects fund, and \$5,407 restricted for special revenue funds at August 31, 2015.

EULA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the School Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been officially committed for use in satisfying those contractual requirements. The District has no funds committed at August 31, 2015.

Assigned – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the Board delegating this responsibility to the Superintendent through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has no funds assigned at August 31, 2015.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Long-term Obligations

In the government-wide financial statements, long-term and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Data Control Codes

The Data control codes refer to the account code structure prescribed by TEA in the FAR. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide data base for policy development and funding plans.

Estimates

The preparation of financial statements in conformity with GAAP required the use of management's estimates. Accordingly, actual results could differ from those estimates.

Receivables and Payables

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

EULA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust, with the District's agent bank, approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At August 31, 2015, the carrying amount of the District's deposits (cash and interest-bearing accounts) was \$1,582,120 and the bank balance was \$1,702,437. The District's cash deposits at August 31, 2015 and during the year ended August 31, 2015, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act (the "ACT") , to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform tests procedures related to investment practices as provided by the Act.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

As of August 31, 2015, Eula Independent School District has the following investments:

	<u>Cost</u>	<u>Book Value</u>	<u>Weighted Average Maturity</u>
Investments			
Certificates of deposit maturities > 1 year	\$ 712,745	\$ 712,745	115 Days
Total investments	<u>\$ 712,745</u>	<u>\$ 712,745</u>	

The District recorded \$200,230 of investments in restricted assets.

Analysis of Specific Deposit and Investment Risks

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 government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

EULA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: DEPOSITS AND INVESTMENTS - continued

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 rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits its investment portfolio to maturities of one year or less as means of limiting its exposure to fair value losses arising from fluctuating interest rates.

Foreign Currency Risk

Foreign currency risk is the risk that exchange rates will adversely affect fair value of an investment. At August 31, 2015, the District was not exposed to foreign currency risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). The District's investment policy is to reduce the risk of loss resulting from over concentration of assets in a specific class of investments; however, the District's policy places no specific limit on the amount which the District may invest in any one issuer.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 130,169	\$	\$	130,169
Total capital assets not being depreciated	130,169			130,169
Capital assets being depreciated				
Buildings and improvements	12,540,634	318,187		12,858,821
Furniture and equipment	840,168	433,680	86,188	1,187,660
Total capital assets being depreciated	13,380,802	751,867	86,188	14,046,481
Less accumulated depreciation for:				
Buildings and improvements	(6,826,998)	(432,566)		(7,259,564)
Furniture and equipment	(595,105)	(97,723)	(86,188)	(606,640)
Total accumulated depreciation	(7,422,103)	(530,289)	(86,188)	(7,866,204)
Total capital assets being depreciated, net	5,958,699	221,578		6,180,277
Governmental activities capital assets, net	\$ 6,088,868	\$ 221,578	\$	6,310,446

EULA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: CAPITAL ASSETS - continued

Depreciation was charged to functions as follows:

Instruction	\$	167,622
Instructional Resources and Media Services		8,534
School Leadership		6,401
Guidance, Counseling & Evaluation Services		2,134
Health Services		2,134
Student (Pupil) Transportation		64,740
Food Service		77,027
Cocurricular/Extracurricular activities		4,577
General Administration		13,682
Plant Maintenance and Operations		183,438
Total depreciation expense - governmental activities	\$	<u><u>530,289</u></u>

NOTE 4: LONG-TERM DEBT

The District issued \$1,256,454 of Unlimited Tax School Building Bonds, Series 2014 B, during the year ended August 31, 2014, with an average interest rate of 3.578% issued to advance refund \$1,222,351 of the Maintenance Tax Note, Series 2010, with an average interest rate of 5.0%. The net proceeds of \$1,221,351 (after paying \$34,000 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The District issued \$1,277,648 of Unlimited Tax School Building Bonds, Series 2014A, during the year ended August 31, 2014, for the purpose of funding capital and maintenance projects, under the authority granted by Article 7, Section 5 of the Texas Constitution and Subchapter C of Chapter 45 of the Texas Education Code. Interest rates range from 3.3% to 5.343%. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

On February 1, 2015, \$3,700,000 in Unlimited Tax Refunding Bonds, Series 2015, with an average interest rate of 2.966% were issued to advance refund \$3,840,000 of the Unlimited Tax Refunding Bonds, Series 2005, with an average interest rate of 5.0%. The net proceeds of \$3,700,000, with a premium of \$245,864 were issued to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 16 years by \$917,693 resulting in an economic gain of \$791,522.

Debt service requirements for long term debt is as follows:

Debt Service Requirements		Principal		Interest		Total
2016	\$	281,000	\$	203,162	\$	484,162
2017		291,500		193,537		485,037
2018		301,000		182,451		483,451
2019		316,700		171,988		488,688
2020		326,300		160,979		487,279
2021-2025		1,817,300		613,888		2,431,188
2026-2030		2,128,000		298,998		2,426,998
2031-2034		666,500		58,283		724,783
Total	\$	<u><u>6,128,300</u></u>	\$	<u><u>1,883,286</u></u>	\$	<u><u>8,011,586</u></u>

EULA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: LONG-TERM DEBT - continued

Description	Balance September 1, 2014	Issued	Retired	Balance August 31, 2015	Due Within One Year
Unlimited Tax					
Refunding Bonds, Series 2005	\$ 4,005,000	\$	4,005,000	\$	
Unlimited Tax School					
Building Bonds, Series 2014A	1,277,648		37,348	1,240,300	42,000
Unlimited Tax School					
Building Bonds, Series 2014B	1,222,351		34,351	1,188,000	39,000
Unlimited Tax					
Refunding Bonds, Series 2015		3,700,000		3,700,000	200,000
Total Bonds	6,504,999	3,700,000	4,076,699	6,128,300	281,000
Premium on Series 2014A	36,039		1,802	34,237	
Premium on Series 2014B	35,103		1,755	33,348	
Premium on Series 2015		245,864	6,147	239,717	
Total	\$ 6,576,141	\$ 3,945,864	\$ 4,086,403	\$ 6,435,602	\$ 281,000

NOTE 5: PROPERTY TAXES

Property taxes are levied on October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid by January 31 of the year in which imposed. On February 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year. Allowances for uncollectible tax receivables within the General Fund and Debt Service Fund are based on 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.

The tax rates assessed for the fiscal year ended August 31, 2015, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.27 per \$100 valuation, respectively, for a total of \$1.44 per \$100 valuation.

NOTE 6: INTERFUND BALANCES AND ACTIVITIES

Balances due to and from other funds at August 31, 2015, consisted of the following:

Due From Fund	Due to Fund	Amount
National School Breakfast & Lunch	General Fund	\$ 2,032
Debt Service Fund	General Fund	13,648
Internal Service Fund	General Fund	23,442
		\$ 39,122

All amounts due are scheduled to be repaid within one year and are to eliminate deficit cash balances.

Interfund transfers consist of a transfer from the General Fund to the Food Service Fund in the amount of \$60,500. The transfer was needed to supplement the Food Service fund.

EULA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2015, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three years.

Unemployment Compensation Pool

During the year ended August 31, 2015, Eula Independent School District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligations to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation Pool. For the year ended August 31, 2015, the Fund anticipates that Eula Independent School District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2014, are available at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation Coverage

The District began participating in a partially self-funded workers' compensation pool administered by Claims Administrative Services, Inc. The District pays a contribution for the fund year to cover the servicing cost of program administration, claims handling, loss control and stop loss coverage. Provided the District remains in the pool, there are no additional fees for services. The loss fund maximum set aside in a separate account in the records of the plan sponsor for claims is \$53,155. The District's required contribution for the year ended August 31, 2015, was \$9,382 and was recorded as an insurance expenditure.

Changes in the balances of workers' compensation claims liabilities during the past year are as follows:

Unpaid Claims September 1, 2014	\$ 35,349
Incurred Claims (not including IBNR), and adjustments	(8,630)
Claim Payments	<u>(4,246)</u>
Total Unpaid Claims August 31, 2015	<u>\$ 22,473</u>

Health Care

Employees of the District are covered under the State of Texas statewide health insurance plan (TRS Active-Care). TRS Active-Care is a fully insured plan. During 2014-2015, the District contributed \$275 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contributions and contributions for dependents.

EULA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System'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. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 159,496,075,886
Less: Plan Fiduciary Net Position	<u>(132,779,243,085)</u>
Net Pension Liability	\$ <u>26,716,832,801</u>

Net Position as a percentage of Total Pension Liability 83.25%

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, 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 of 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 COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

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

EULA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: DEFINED BENEFIT PENSION PLAN - continued

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. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

	Contribution Rates	
	2014	2015
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Eula ISD 2014 Employer Contributions	\$	24,906
Eula ISD 2014 Member Contributions	\$	143,428
Eula ISD 2014 NECE On-Behalf Contributions	\$	139,685

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, 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 including public 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 source or a privately sponsored source.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level percentage of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

* Includes Inflation of 3%

EULA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: DEFINED BENEFIT PENSION PLAN - continued

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees were decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Returns			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha			1%
Total	<u>100%</u>		<u>8.7%</u>

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

EULA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: **DEFINED BENEFIT PENSION PLAN – continued**

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8%)	1% Increase in Discount Rate (9.0%)
Eula ISD's proportionate share of the net pension liability:	\$ 468,915	\$ 262,412	\$ 107,986

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

At August 31, 2015, Eula Independent School District reported a liability of \$262,412 for its proportionate share of the TRS' net pension liability. This liability reflects a reduction for State pension support provided to Eula Independent School District. The amount recognized by Eula Independent School 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 Eula Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 262,412
State's proportionate share that is associated with the District	1,474,841
Total	<u>\$ 1,737,253</u>

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 thru August 31, 2014.

At August 31, 2014, the employer's proportion of the collective net pension liability was 0.0009824%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The notes to the Financial Statements for August 31, 2014, for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 9/01/2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, Eula Independent School District recognized pension expense of \$136,346 and revenue of \$136,346 for support provided by the State.

At August 31, 2014, Eula Independent School District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EULA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: DEFINED BENEFIT PENSION PLAN – continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,058	\$
Changes in actuarial assumptions	17,057	
Difference between projected and actual investment earnings		80,204
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions		69
Total	\$ 21,115	\$ 80,273

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:

Year ended August 31:	Pension Expense Amount
2016	\$ (16,500)
2017	(16,500)
2018	(16,500)
2019	(16,500)
2020	3,551
Thereafter	3,291

As of August 31, 2015, the District reported Deferred Resource Outflows and Deferred Resource Inflows for the TRS pension plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net amounts as of August 31, 2014 Measurement Date	\$ 21,115	\$ 80,273
Contributions made subsequent to the Measurement Date	55,810	
Reported by District as of August 31, 2015	\$ 76,925	\$ 80,273

NOTE 9: POST EMPLOYMENT HEALTH BENEFITS

Plan Description

Eula Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care) a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic optional group insurance coverage for participants. The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. The report may be obtained by visiting the TRS web site under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

EULA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: POST EMPLOYMENT HEALTH BENEFITS

Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2015-2013.

	Contribution Rates and Amounts					
	Active Member		State of Texas		Member Districts	
	Rate	Contribution	Rate	Contribution	Rate	Contribution
2015	0.65%	\$14,567	1.0%	\$22,411	0.55%	\$12,326
2014	0.65%	\$12,326	1.0%	\$18,963	0.55%	\$10,430
2013	0.65%	\$14,726	0.5%	\$11,328	0.55%	\$12,461

NOTE 10: MEDICARE PART D ON BEHALF PAYMENTS

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Eula Independent School District paid state contributions for the years ended August 31, 2015, 2014, and 2013 in the amount of \$6,712, \$5,878, and \$6,041, respectively.

NOTE 11: ON-BEHALF PAYMENTS

The District records on-behalf payments from the State of Texas to be used for Teacher Retirement in the amount of \$157,678 for the year ended August 31, 2015.

NOTE 12: COMMITMENTS AND CONTINGENCIES

Contingencies

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

Litigation

No reportable litigation was pending against the District at August 31, 2015.

NOTE 13: DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2015 are summarized below.

Fund	State Grants/ Entitlements	Federal Grant	Total
General Fund	\$ 616,723	\$	\$ 616,723
National Breakfast and Lunch Program		4,890	4,890
State Textbook Fund	1,358		1,358
Debt Service Fund	533		533
Total	\$ 618,614	\$ 4,890	\$ 623,504

EULA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 58,579	\$ 7,909	\$ 66,488
	\$ 58,579	\$ 7,909	\$ 66,488

NOTE 15: REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2015, revenues from local and intermediate sources for governmental fund types consisted of the following:

	General Fund	Child Nutrition	Debt Service Fund	Capital Projects Fund	Total
Property taxes	\$ 2,603,587	\$	\$ 595,220	\$	\$ 3,198,807
Food service sales		77,157			77,157
Penalties, interest & other tax revenues	65,333				65,333
Investment earnings	5,890		751	231	6,872
Miscellaneous	980				980
Athletic activities	1,397				1,397
	\$ 2,677,187	\$ 77,157	\$ 595,971	\$ 231	\$ 3,350,546

NOTE 16: JOINT VENTURE – SHARED SERVICES ARRANGEMENT

The District participates in two shared services arrangements. The District does not account for revenues or expenditures in these programs and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Region XIV, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Eula Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the revenues and expenditures attributable to the District's participation:

	ESEA Title II Part A	Carl D. Perkins CATE
Revenue	\$ 6,186	\$ 4,654
Expenditures		
Contracted Services	5,767	731
Supplies	240	3,878
Other Costs	179	45
Total Expenditures	\$ 6,186	\$ 4,654
% Attributable	1.46%	2.51%

EULA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16: JOINT VENTURE – SHARED SERVICES ARRANGEMENT - continued

The District participates in a Special Ed shared services arrangement with Jim Ned CISD as fiscal agent. The District does not account for revenues or expenditures in these programs and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Jim Ned CISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Eula Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the revenues and expenditures attributable to the District's participation:

	IDEA B Formula	IDEA B Preschool	IDEA B High Cost Risk Pool
Revenue	\$ 96,029	\$ 2,784	\$ 22,514
Expenditures			
Payroll Costs	93,389	2,784	
Contracted Services	557		
Supplies	2,083		5,850
Other Costs			16,664
Total Expenditures	\$ 96,029	\$ 2,784	\$ 22,514
% Attributable	8.86%	8.86%	31.49%

NOTE 17: GASB STATEMENT NO. 68 AND PRIOR PERIOD ADJUSTMENT

During fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is \$297,316. The restated beginning net position is \$1,305,284.

NOTE 18: NEW ACCOUNTING PRONOUNCEMENTS

In January 2013, the GASB issued Statement No. 69 *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2013. The District has determined there is no impact on its financial position, results of operations or cash flows.

In April 2013, the GASB issued Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement will improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2013. The District has determined there is no impact on its financial position, results of operations or cash flows.

In November 2013, the GASB issued Statement No. 71 *Pension Transition of contributions Made Subsequent to the Measurement Date*. This statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual basis financial statements of employers and nonemployer contributing entities. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The District has determined there is no impact on its financial position, results of operations or cash flows.

EULA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18: NEW ACCOUNTING PRONOUNCEMENTS - continued

In February 2015, the GASB issued Statement No. 72 *Fair Value Measurement and Application*. This statement address accounting and financial reporting issues related to fair value measurements. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No 67. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement replaces Statements No. 43 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25 *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50 *Pension Disclosures*. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement supersedes Statement No. 55 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In August 2015, the GASB issued Statement No 77 *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

REQUIRED SUPPLEMENTARY INFORMATION

EULA INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
5700	Local and intermediate sources	\$ 2,648,231	\$ 2,695,931	\$ 2,677,187	\$ (18,744)
5800	State program revenues	953,454	1,514,591	1,585,628	71,037
5020	Total Revenues	3,601,685	4,210,522	4,262,815	52,293
EXPENDITURES:					
Current					
0011	Instruction	2,010,864	2,104,736	2,057,719	47,017
0012	Instructional resources & media services	36,039	36,039	33,797	2,242
0013	Curriculum & instructional staff development	250	350	346	4
0023	School leadership	188,200	188,200	176,565	11,635
0031	Guidance, counseling & evaluation services	65,985	65,985	60,102	5,883
0033	Health services	54,695	54,695	50,842	3,853
0034	Student (pupil) transportation	119,090	151,610	126,580	25,030
0036	Extracurricular activities	101,162	104,462	93,927	10,535
0041	General administration	366,499	369,249	348,291	20,958
0051	Facilities maintenance & operations	522,251	607,351	552,368	54,983
0052	Security & monitoring services	750	750	705	45
0053	Data processing services	26,500	26,500	23,059	3,441
0061	Community services	100	100		100
0093	Payments to fiscal agent/member dist - SSA	35,000	49,000	48,634	366
6030	Total Expenditures	3,527,385	3,759,027	3,572,935	186,092
1100	Excess of Revenues Over Expenditures	74,300	451,495	689,880	238,385
OTHER FINANCING SOURCES (USES):					
7912	Sale of real & personal property		10,500	10,348	(152)
8911	Transfers out (use)	(74,300)	(74,300)	(60,500)	13,800
7080	Total Other Financing Sources (Uses)	(74,300)	(63,800)	(50,152)	13,648
1200	Net Change in Fund Balance		387,695	639,728	252,033
0100	Fund Balance - Beginning	752,537	752,537	752,537	
3000	Fund Balance - Ending	\$ 752,537	\$ 1,140,232	\$ 1,392,265	\$ 252,033

EULA INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-2

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2015**

	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	<u>0.0009824%</u>
District's Proportionate Share of Net Pension Liability	\$ 262,412
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	<u>1,474,841</u>
Total	\$ <u><u>1,737,253</u></u>
District's Covered Employee Payroll	\$ 2,273,202
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	11.54%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	83.25%

Note: Only one year of data is presented in accordance with GASB No. 68, paragraph 138.

EULA INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-3

**SCHEDULE OF THE DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2015**

	<u>2015</u>
Contractually Required Contribution	\$ 55,810
Contribution in Relation to the Contractually Required Contribution	<u>(55,810)</u>
Contribution Deficiency (Excess)	\$ <u><u> </u></u>
District's Covered Employee Payroll	\$ 2,273,202
Contributions as a percentage of Covered Employee Payroll	2.46%

Note: GASB No. 68, Paragraph 81.2.b required that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB No. 68, paragraph 138.

EXHIBIT H-1

289	410	429	Total
Reap	State	Technology	Nonmajor
Grant	Textbook	Rural	Governmental
	Fund	Grant	Funds
\$	\$	\$	\$
	1,358		1,516
			6,248
			2,032
\$	\$	\$	\$
	1,358		9,796
\$	\$	\$	\$
	1,358		1,358
			3,040
			(9)
	1,358		4,389
			5,407
			5,407
\$	\$	\$	\$
	1,358		9,796

OTHER SUPPLEMENTARY INFORMATION

EULA INDEPENDENT SCHOOL DISTRICT

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

AUGUST 31, 2015

Data Control Codes		211	240	255
		ESEA, Title I Part A, Improving Basic Program	National School Breakfast and Lunch Program	ESEA, Title II Part A Training and Recruiting
	ASSETS			
1110	Cash and cash equivalents	\$	\$ 1,516	\$
1240	Receivables from other governments		4,890	
1260	Due from other funds		2,032	
1000	Total Assets	\$	\$ 8,438	\$
	LIABILITIES			
2110	Accounts payable	\$	\$	\$
2160	Accrued wages payable		3,040	
2200	Accrued expenditures		(9)	
2000	Total Liabilities		3,031	
	FUND BALANCES			
	Restricted fund balance:			
3450	Federal or State funds		5,407	
3000	Total Fund Balance		5,407	
4000	Total Liabilities and Fund Balances	\$	\$ 8,438	\$

EXHIBIT H-1

289	410	429	Total
Reap	State	Technology	Nonmajor
Grant	Textbook	Rural	Governmental
	Fund	Grant	Funds
\$	\$	\$	\$
	1,358		1,516
			6,248
			2,032
\$	\$	\$	\$
	1,358		9,796
\$	\$	\$	\$
	1,358		1,358
			3,040
			(9)
	1,358		4,389
			5,407
			5,407
\$	\$	\$	\$
	1,358		9,796

EULA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		211 ESEA, Title I Part A, Improving Basic Program	240 National School Breakfast and Lunch Program	255 ESEA, Title II Part A Training and Recruiting
	REVENUES			
5700	Local and intermediate sources	\$	\$ 77,157	\$
5800	State program revenues		1,205	
5900	Federal program revenues	78,345	159,619	14,933
5020	Total Revenues	78,345	237,981	14,933
	EXPENDITURES			
	Current:			
0011	Instruction	78,345		14,933
0012	Instructional resources and media services			
0035	Food services		298,952	
6030	Total Expenditures	78,345	298,952	14,933
1100	Excess (Deficiency) of Revenues over (Under) Expenditures		(60,971)	
	OTHER FINANCING SOURCES (USES)			
7915	Transfers in		60,500	
	Total other financing sources (uses)		60,500	
1200	Net Change in Fund Balance		(471)	
0100	Fund Balance - Beginning		5,878	
3000	Fund Balance - Ending	\$	\$ 5,407	\$

EXHIBIT H-2

289	410	429	Total Nonmajor Governmental Funds
Reap Grant	State Textbook Fund	Technology Rural Grant	
\$	\$	\$	\$
	27,620	26	77,157
16,512			28,851
			269,409
16,512	27,620	26	375,417
16,512	27,620	26	137,410
		26	26
			298,952
16,512	27,620	26	436,388
			(60,971)
			60,500
			60,500
			(471)
			5,878
\$	\$	\$	\$
			5,407

REQUIRED TEA SCHEDULES

EULA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2015

Last Ten Years Ended August 31	1	2	3	10
	Tax Rates		Assessed/ Appraised Value For School Tax Purposes	Beginning Balance 9/1/2014
	Maintenance	Debt Service		
2006 (and prior years)	Various	Various	Various	\$ 9,700
2007	1.3700	0.2231	138,007,201	2,763
2008	1.1700	0.2300	168,557,018	4,580
2009	1.1700	0.1950	196,526,586	4,275
2010	1.1700	0.1800	210,549,060	5,451
2011	1.1700	0.1800	212,740,647	11,348
2012	1.1700	0.1700	219,017,761	15,273
2013	1.1700	0.1700	221,969,070	29,935
2014	1.1700	0.1700	221,969,070	72,912
2015 (School Year Under Audit)	1.1700	0.2700	221,875,625	
Total			\$	<u>156,237</u>

EXHIBIT J-1

20	31	32	40	50
Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/2015
\$	\$	\$	\$	\$
	21	5	(4,335)	5,339
				2,763
	38	9		4,533
	826	190		3,259
	977	225		4,249
	2,907	671		7,770
	5,909	1,364	588	8,588
	12,941	2,986	(1,194)	12,814
	36,516	8,427	(345)	27,624
<u>3,195,009</u>	<u>2,538,390</u>	<u>585,782</u>	<u>17,840</u>	<u>88,677</u>
\$ <u><u>3,195,009</u></u>	\$ <u><u>2,598,525</u></u>	\$ <u><u>599,659</u></u>	\$ <u><u>12,554</u></u>	\$ <u><u>165,616</u></u>

EULA INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
5700	Local and intermediate sources	\$ 59,000	\$ 74,500	\$ 77,157	\$ 2,657
5800	State program revenues	9,653	9,653	1,205	(8,448)
5900	Federal program revenues	134,000	166,000	159,619	(6,381)
5020	Total Revenues	202,653	250,153	237,981	(12,172)
EXPENDITURES:					
0035	Food services	276,953	308,303	298,952	9,351
6030	Total Expenditures	276,953	308,303	298,952	9,351
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(74,300)	(58,150)	(60,971)	(2,821)
OTHER FINANCING SOURCES (USES):					
7915	Transfers in	74,300	74,300	60,500	(13,800)
	Total Other Financing Sources (Uses)	74,300	74,300	60,500	(13,800)
1200	Net Change in Fund Balance		16,150	(471)	(16,621)
0100	Fund Balance - Beginning	5,878	5,878	5,878	
3000	Fund Balance - Ending	\$ 5,878	\$ 22,028	\$ 5,407	\$ (16,621)

EULA INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
5700	Local and intermediate sources	\$ 561,928	\$ 596,778	\$ 595,971	\$ (807)
5020	Total Revenues	561,928	596,778	595,971	(807)
EXPENDITURES:					
0071	Debt service - Principal on long-term debt	236,699	237,000	236,699	301
0072	Debt service - Interest on long-term debt	261,386	273,310	261,386	11,924
0073	Debt service - bond issuance cost and fees	44,915	103,690	103,690	
6030	Total Expenditures	543,000	614,000	601,775	12,225
1100	Excess (Deficiency) of Revenue Over (Under) Expenditures	18,928	(17,222)	(5,804)	11,418
OTHER FINANCING SOURCES (USES)					
7911	Capital related debt issued		3,700,000	3,700,000	
7916	Premium on issuance of bonds		214,000	245,864	31,864
8949	Other (uses)		(3,842,000)	(3,841,067)	933
7080	Total Other Financing Sources (Uses)		72,000	104,797	32,797
1200	Net Change in Fund Balance	18,928	54,778	98,993	44,215
0100	Fund Balance - Beginning	149,215	149,215	149,215	
3000	Fund Balance - Ending	\$ 168,143	\$ 203,993	\$ 248,208	\$ 44,215

OTHER INFORMATION REQUIRED BY GAO

Merritt, McLane & Hamby

401 Cypress Street, Suite 303
Abilene, TX 79601

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

To the Board of Trustees
Eula Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eula Independent School District as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise Eula Independent School District's basic financial statements and have issued our report thereon dated October 5, 2015.

Internal Control Over Financial Reporting

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

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


Our consideration of internal control over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Eula Independent School District's financial statements are free of 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 statements 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

This 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.



MERRITT, MCLANE & HAMBY

Abilene, Texas
October 5, 2015

EULA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED AUGUST 31, 2015

I. Summary of Auditor's Report

- a. The type of report issued on the financial statements of Eula Independent School District was an unqualified opinion.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of Eula Independent School District were disclosed during the audit.

II. Findings Required to be Reported in Accordance with *Government Auditing Standards*.

Findings/Noncompliance

None

EULA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATUS OF PRIOR FINDINGS

YEAR ENDED AUGUST 31, 2015

Prior Year Findings:

2014-001

Criteria: In compliance with the Financial Accountability System Resource Guide, Budgeting module, Section 2.6.2, the District is required to amend the official budget before exceeding a functional expenditure category, i.e., instruction, administration, etc., in the total district budget

Effect: The District's expenditures exceeded their budget in the General Fund in function 73, bond issuance costs and fees.

Cause: While the District underspent other areas of the budget so that the total expenditures were less than the total budgeted expenditures, the District did not make the reclassifications to the budget through formal amendments.

Recommendation:

It is recommended that the District make formal budget amendments if the expenditure is expected to exceed the budget

Corrective Action:

The District monitored these areas and budget appropriately.

EULA INDEPENDENT SCHOOL DISTRICT

SCHOOLS FIRST QUESTIONNAIRE

AUGUST 31, 2015

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No	
SF4	Was there an unmodified opinion in the Annual Financial Report on the Financial statements as a whole?	Yes	
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal control 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?	No	
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$	
SF11	Net Pension Asset (1920) at fiscal year-end	\$	
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$	262,412
SF13	Pension Expense (6147) at fiscal year-end.	\$	(31,556)