

**EULA INDEPENDENT SCHOOL DISTRICT**

---

ANNUAL FINANCIAL AND COMPLIANCE REPORT

---

FOR THE YEAR ENDED  
AUGUST 31, 2019

**EULA INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR**  
**THE YEAR ENDED AUGUST 31, 2019**  
**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.....	45
G-2 Schedule of the District's Proportionate Share of the Net Pension Liability – TRS .....	46
G-3 Schedule of the District's Contributions – TRS .....	47
G-4 Schedule of the District's Proportionate Share of the Net OPEB Liability – TRS .....	48
G-5 Schedule of the District's Contributions for Other Post-Employment Benefits – TRS .....	49
<u>Other Supplementary Information</u>	
H-1 Combining Balance Sheet – Nonmajor Governmental Funds .....	50
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds.....	51
<u>Required TEA Schedules</u>	
J-1 Schedule of Delinquent Taxes Receivable.....	52
J-4 Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Child Nutrition Fund .....	53
J-5 Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Debt Service Fund .....	54
<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> .....	55
Schedule of Findings and Responses .....	56
Schedule of Status of Prior Findings.....	57

## **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, 2019, at a meeting of the board of trustees of such school district on the 14th day of October, 2019.

\_\_\_\_\_  
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**

## 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and TRS schedules on pages 4 through 9 and 45 through 49 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, 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 non-major fund financial statements are the responsibility of management and were derived from and relate 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 combining and individual non-major fund financial statements are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section and required TEA schedules 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 September 27, 2019, 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  
September 27, 2019

## **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, 2019. 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 (\$25,633) at August 31, 2019 which was an increase of 95% from the previous year net position of (\$487,793).
- The District's expenses were \$6,022,359 versus revenue at \$6,484,519 for an increase to net position of \$462,160.
- The total cost of the District's programs increased \$1,883,489 from last year.
- The general fund reported a fund balance this year of \$2,274,831.

### **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 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 begins with the Statement of Net Position (Exhibit A-1) and the Statement of Activities (Exhibit B-1). Their primary purpose is to show whether the District is in a better or worse position 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 or children 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.

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, the District presents 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 federal grants received 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 (\$487,793), to (\$25,633). 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 (\$558,644) at August 31, 2019.

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

	Governmental Activities		Percentage Change
	2019	2018	
Current and Other Assets	\$ 2,985,370	\$ 2,785,896	7.16%
Capital and Non-Current Assets	5,363,910	5,308,925	1.04%
<b>Total Assets</b>	<b>8,349,280</b>	<b>8,094,821</b>	<b>3.14%</b>
<b>Deferred Outflows of Resources</b>	<b>720,876</b>	<b>286,347</b>	<b>151.75%</b>
Current Liabilities	233,955	207,786	12.59%
Long Term Liabilities	8,112,167	7,844,630	3.41%
<b>Total Liabilities</b>	<b>8,346,122</b>	<b>8,052,416</b>	<b>3.65%</b>
<b>Deferred Inflows of Resources</b>	<b>749,667</b>	<b>816,545</b>	<b>-8.19%</b>
Net Position			
Net Investment in Capital Assets	(306,359)	(454,749)	32.63%
Restricted	839,370	724,009	15.93%
Unrestricted	(558,644)	(757,053)	26.21%
<b>Total Net Position</b>	<b>\$ (25,633)</b>	<b>\$ (487,793)</b>	<b>94.75%</b>

At the end of the 2018-2019 school-year, the enrollment for the District was 441, an increase of 27 from the prior year. The average daily attendance (ADA) was 396 which was an increase of 18 from 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 decreased to \$0.22.

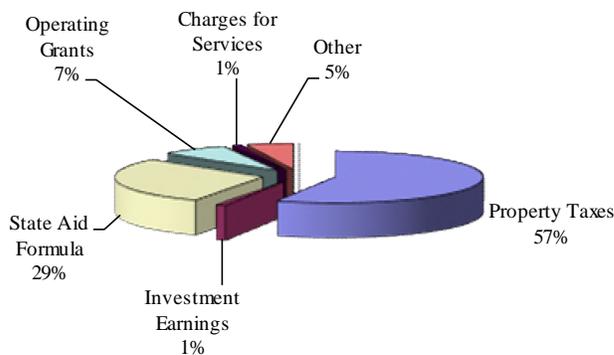
The cost of all governmental activities for the current fiscal year was \$6,022,359. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was \$3,651,110, which is \$178,873 more than last year's total of \$3,472,237. The District's total revenues were \$6,484,519. A significant portion, 57%, of the District's revenue comes from taxes. (See Figure A-3.) \$1,891,258 (29%) comes from state aid – formula, while 1% relates to charges for services.

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

	Governmental Activities		Total % Change
	2019	2018	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 59,531	65,989	-9.79%
Operating Grants and Contributions	482,331	(284,290)	269.66%
<u>General Revenues</u>			
Property Taxes	3,651,110	3,472,237	5.15%
State aid - formula	1,891,258	1,485,710	27.30%
Investment earnings	70,362	38,305	83.69%
Other	329,927	73,047	351.66%
<b>Total Revenues</b>	<b>6,484,519</b>	<b>4,850,998</b>	

<b>Expenses</b>			
Instruction and instructional related	3,005,201	1,937,501	55.11%
Instructional and school leadership	332,193	126,451	162.70%
Guidance, social work, health, transportation	458,469	329,762	39.03%
Food Services	434,094	275,644	57.48%
Extracurricular activities	174,898	114,091	53.30%
General administration	421,888	258,842	62.99%
Plant maintenance and operations	858,905	749,320	14.62%
Security and monitoring	4,926	1,706	188.75%
Data processing service	25,324	27,496	-7.90%
Debt service - interest on long term debt	154,642	166,014	-6.85%
Debt service - bond issuance costs and fees	500	500	0.00%
Pmts to fiscal agent/member districts - shared services	151,319	151,543	-0.15%
<b>Total Expenses</b>	<u>6,022,359</u>	<u>4,138,870</u>	
<b>Change in Net Position</b>	462,160	712,128	
<b>Beginning Net Position</b>	(487,793)	1,840,949	
<b>Prior period adjustment</b>		(3,040,870)	
<b>Ending Net Position</b>	<u>\$ (25,633)</u>	<u>\$ (487,793)</u>	

Figure A-3 District Sources of Revenue for Fiscal Year 2019



## THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$6,326,478, an increase of 12.6% from the preceding year. Local revenue increased approximately \$218,000 as a result of the increase in property tax revenue. The state aid revenue increased approximately 24.1%. The increase in federal revenues of approximately \$72,000 represents an 25.5% 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 estimated on August 31, 2018). 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 programs with resource needs. With these adjustments, actual expenditures in the General Fund were \$371,186 under final budget amounts. The budget was amended and increased 14.5% for increases in instruction, instructional resources & media services, school leadership, guidance, counseling & evaluation services, health services,

student transportation, extracurricular activities, general administration, facilities maintenance & operations, security & monitoring services, and facilities acquisition and construction.

Resources were \$1,044 under the final budget amount.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2019, the District had invested \$4,874,645 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 decrease (including additions, deletions and depreciation expense) of 3.7% over last year.

The District plans to spend approximately \$440,000 for miscellaneous equipment and a building project for the District for the year ending August 31, 2020.

**Table A-4**  
**District's Capital Assets**

	Governmental Activities		Total % Change
	2019	2018	
Land	\$ 130,169	\$ 130,169	
Construction in progress	202,147		
Buildings and improvements	13,047,044	13,047,044	
Furniture and equipment	1,805,565	1,552,093	16.33%
Total at historical cost	15,184,925	14,729,306	3.09%
Total accumulated depreciation	10,310,280	9,669,501	6.63%
Net capital assets	\$ 4,874,645	\$ 5,059,805	-3.66%

### Debt

At year-end, the District had \$4,937,100 in bonds. See table A-5 below.

**Table A-5**  
**District's Long Term Debt**

	2019	2018
Unlimited Tax School Building Bonds, Series 2014A	\$ 1,057,100	\$ 1,106,800
Unlimited Tax School Building Bonds, Series 2014B	1,015,000	1,063,000
Unlimited Tax Refunding Bonds, Series 2015	2,865,000	3,085,000
Total Bonds	4,937,100	5,254,800
Premium on Series 2014A	27,029	28,831
Premium on Series 2014B	26,328	28,083
Premium on Series 2015	190,547	202,840
Total	\$ 5,181,004	\$ 5,514,554

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

- Appraised value used for the 2019-2020 budget preparation increased \$15,629,499 or 6.0% from the previous year. The District's M&O tax rate decreased to \$1.0683 while the I&S rate decreased to \$0.19. The increase in property values is expected to reduce the overall decrease in property tax revenue from the lower tax rates.
- General operating fund spending per student increased in the 2020 budget to \$15,669, a \$3,274 per student increase from the 2019 actual spending.

The district's 2020 refined average daily attendance is expected to be 365.

These indicators were taken into account when adopting the general fund budget for 2020. State revenue will increase as a result of the state mandated teacher salary increases.

Expenditures are budgeted at \$5,719,108, which is an increase of 16.5% compared to prior year expenditures. If these estimates are realized, the District's budgetary general fund fund balance is expected to remain consistent with 2019.

#### **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, or by calling (325) 529-3186.

## **BASIC FINANCIAL STATEMENTS**

**EULA INDEPENDENT SCHOOL DISTRICT**

EXHIBIT A-1

STATEMENT OF NET POSITION

AUGUST 31, 2019

<u>Data Control Codes</u>		<u>Governmental Activities</u>
<b>ASSETS</b>		
1110	Cash and cash equivalents	\$ 301,470
1120	Investments	764,126
1220	Property taxes receivable, net	160,354
1230	Allowance for uncollectible taxes	(34,854)
1240	Due from other governments	965,127
1800	Restricted assets	829,147
	Capital assets:	
1510	Land	130,169
1520	Buildings, net	3,961,996
1530	Furniture and equipment, net	580,333
1580	Construction in progress	202,147
1900	Long term investments	489,265
1000	Total Assets	<u>8,349,280</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
1703	Deferred Outflow related to TRS OPEB	159,507
1705	Deferred outflow related to TRS pension	561,369
1700	Total Deferred Outflows of Resources	<u>720,876</u>
<b>LIABILITIES</b>		
2110	Accounts payable	17,440
2140	Interest payable	6,848
2160	Accrued wages payable	185,373
2200	Accrued expenses	24,294
	Noncurrent liabilities	
2501	Due within one year	326,300
2502	Due in more than one year	4,854,704
2540	Net pension liability (District's share)	1,013,419
2545	Net OPEB liability (District's share)	1,917,744
2000	Total Liabilities	<u>8,346,122</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2603	Deferred inflow related to TRS OPEB	687,167
2605	Deferred inflow related to TRS pension	62,500
2600	Total Deferred Inflows of Resources	<u>749,667</u>
<b>NET POSITION</b>		
3200	Net investment in capital assets	(306,359)
	Restricted for:	
3820	Federal or State programs	1,278
3850	Debt service	837,554
3860	Capital projects	538
3900	Unrestricted	(558,644)
3000	Total Net Position	<u>\$ (25,633)</u>

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

EULA INDEPENDENT SCHOOL DISTRICT

EXHIBIT B-1

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2019

		Program Revenues		Net (Expense)	
Primary Government:				Revenue and	
GOVERNMENTAL ACTIVITIES:				Changes in	
		1	3	4	6
Data				Operating	
Control			Charges for	Grants and	Governmental
Codes		Expenses	Services	Contributions	Activities
	Government Activities:				
11	Instruction	\$ 2,927,954	\$	\$ 468,484	\$ (2,459,470)
12	Instructional Resources & Media Services	77,065		(21,660)	(98,725)
13	Curriculum & Instructional Staff Development	182			(182)
23	School Leadership	332,193		(32,289)	(364,482)
31	Guidance, Counseling, & Evaluation Services	126,822		(11,434)	(138,256)
33	Health Services	72,319		(4,674)	(76,993)
34	Student (Pupil) Transportation	259,328		(2,870)	(262,198)
35	Food Service	434,094	58,107	145,831	(230,156)
36	Extracurricular Activities	174,898	1,424	(8,801)	(182,275)
41	General Administration	421,888		(25,792)	(447,680)
51	Facilities Maintenance & Operations	858,905		(24,212)	(883,117)
52	Security & Monitoring Services	4,926		(252)	(5,178)
53	Data Processing Services	25,324			(25,324)
72	Debt Service - Interest on Long-Term Debt	154,642			(154,642)
73	Debt Service - Bond Issuance Cost & Fees	500			(500)
93	Payments Related to Shared Service Arrangement	151,319			(151,319)
	Total Governmental Activities	<u>6,022,359</u>	<u>59,531</u>	<u>482,331</u>	<u>(5,480,497)</u>
TP	Total Primary Government	<u>\$ 6,022,359</u>	<u>\$ 59,531</u>	<u>\$ 482,331</u>	<u>(5,480,497)</u>
	Data Control Codes		General Revenues:		
	MT		Property Taxes, Levied for General Purposes		3,073,413
	DT		Property Taxes, Levied for Debt Service		577,697
	SF		State Aid-formula grants		1,891,258
	GC		Grants & Contributions Not Restricted		282,930
	IE		Investment Earnings		70,362
	MI		Miscellaneous Local & Intermediate Revenues		46,997
	TR		Total General Revenues		<u>5,942,657</u>
	CN		<b>Change in Net Position</b>		462,160
	NB		Net Position - Beginning		<u>(487,793)</u>
	NE		Net Position - Ending		<u>\$ (25,633)</u>

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

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**EULA INDEPENDENT SCHOOL DISTRICT**

EXHIBIT C-1

**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2019

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
1110	Cash and cash equivalents	\$ 316,016	\$	\$ (14,556)	\$ 301,460
1120	Investments	764,126			764,126
1220	Property taxes, delinquent	142,380	17,974		160,354
1230	Allowance for uncollectible taxes	(30,947)	(3,907)		(34,854)
1240	Due from other governments	939,649	2,145	23,333	965,127
1260	Due from other funds		13,648	2,032	15,680
1800	Restricted assets		828,609	538	829,147
1900	Long-term investments	489,265			489,265
1000	Total Assets	<u>\$ 2,620,489</u>	<u>\$ 858,469</u>	<u>\$ 11,347</u>	<u>\$ 3,490,305</u>
<b>LIABILITIES:</b>					
2110	Accounts payable	\$ 17,440	\$	\$	\$ 17,440
2160	Accrued wages payable	176,020		9,353	185,373
2170	Due to other funds	37,223			37,223
2200	Accrued expenditures	3,542		178	3,720
2000	Total Liabilities	<u>234,225</u>		<u>9,531</u>	<u>243,756</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
2601	Unavailable revenue - property tax	111,433	14,067		125,500
2600	Total Deferred Inflow of Resources	<u>111,433</u>	<u>14,067</u>		<u>125,500</u>
<b>FUND BALANCES:</b>					
Restricted fund balance:					
3450	Federal or State funds grant restriction			1,278	1,278
3470	Capital acquisition & contractual obligation			538	538
3480	Retirement of long-term debt		844,402		844,402
3600	Unassigned fund balance	2,274,831			2,274,831
3000	Total Fund Balances	<u>2,274,831</u>	<u>844,402</u>	<u>1,816</u>	<u>3,121,049</u>
4000	Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 2,620,489</u>	<u>\$ 858,469</u>	<u>\$ 11,347</u>	<u>\$ 3,490,305</u>

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

**EULA INDEPENDENT SCHOOL DISTRICT**

EXHIBIT C-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

AUGUST 31, 2019

Total fund balances - governmental funds balance sheet	\$ 3,121,049
<p>Amounts reported for governmental activities in the statement of net position (SNP) are different because:</p>	
<p>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.</p>	979
<p>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 \$14,729,306 and the accumulated depreciation was \$9,669,501.</p>	5,059,805
<p>Bonds payable of \$5,254,800 and bond premium of \$259,754 are not due and payable in the current period, and therefore are not reported as liabilities in the funds.</p>	(5,514,554)
<p>Current year payments on debt are expenditures in the fund financial statements, but are reductions in long term debt in the SNP.</p>	317,700
<p>Current year capital outlays and dispositions are expenditures in the fund financial statements, but are shown as increases to capital assets in SNP.</p>	455,619
<p>Depreciation expense decreases net position in SNP.</p>	(640,779)
<p>The premium on the bonds must be amortized over the life of the bonds. This results in an increase in net position.</p>	15,850
<p>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. The net position related to TRS included a deferred resource outflow in the amount of \$561,369, a deferred resource inflow in the amount of \$62,500, and net pension liability in the amount of \$1,013,419. This resulted in a decrease in net position.</p>	(514,550)
<p>Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$159,507, a deferred resource inflow in the amount of \$687,167, and a net OPEB liability in the amount of \$1,917,744. This resulted in a decrease in net position.</p>	(2,445,404)
<p>Various other reclassifications such as recognizing unavailable property tax revenue and accrued interest which are reported as a liability in the fund financial statements.</p>	<u>118,652</u>
Net position of governmental activities - statement of net position	\$ <u><u>(25,633)</u></u>

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

**EULA INDEPENDENT SCHOOL DISTRICT**

EXHIBIT C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 3,158,281	594,178	\$ 58,107	\$ 3,810,566
5800	State program revenues	2,097,898	12,295	51,143	2,161,336
5900	Federal program revenues	24,019		330,557	354,576
5020	Total Revenues	<u>5,280,198</u>	<u>606,473</u>	<u>439,807</u>	<u>6,326,478</u>
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	2,495,959		209,501	2,705,460
0012	Instructional resources & media services	40,653			40,653
0013	Curriculum & instructional staff development	182			182
0023	School leadership	284,236			284,236
0031	Guidance, counseling, & evaluation services	109,973			109,973
0033	Health services	64,170			64,170
0034	Student (pupil) transportation	244,266			244,266
0035	Food services			323,726	323,726
0036	Extracurricular activities	168,836			168,836
0041	General administration	375,011			375,011
0051	Facilities maintenance & operations	736,366			736,366
0052	Security & monitoring services	4,601			4,601
0053	Data processing services	25,324			25,324
Debt service:					
0071	Principal on long-term debt		317,700		317,700
0072	Interest on long-term debt		170,902		170,902
0073	Bond issuance cost & fees		500		500
Capital outlay:					
0081	Facilities acquisition & construction	207,647			207,647
Intergovernmental:					
0093	Payments to fiscal agent/member district of SSA	151,319			151,319
6030	Total Expenditures	<u>4,908,543</u>	<u>489,102</u>	<u>533,227</u>	<u>5,930,872</u>
1100	Excess (Deficiency) of Revenues over (Under) Expenditures	<u>371,655</u>	<u>117,371</u>	<u>(93,420)</u>	<u>395,606</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
7915	Transfers in			91,000	91,000
8911	Transfers out	(91,000)			(91,000)
7080	Total Other Financing Sources and (Uses)	<u>(91,000)</u>		<u>91,000</u>	
1200	Net Change in Fund Balances	280,655	117,371	(2,420)	395,606
0100	Fund Balance - Beginning	1,994,176	727,031	4,236	2,725,443
3000	Fund Balance - Ending	<u>\$ 2,274,831</u>	<u>\$ 844,402</u>	<u>\$ 1,816</u>	<u>\$ 3,121,049</u>

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

**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, 2019**

Total change in fund balances - total governmental funds	\$ 395,606
<p>Amounts reported for governmental activities in the statement of activities (SOA) are different because:</p>	
<p>Current year capital outlays and dispositions are expenditures in the fund financial statements, but are shown as increases to capital assets in SNP. In addition, current year retirements are shown in the government-wide financial statements but not in fund financial statements.</p>	455,619
<p>Depreciation expense decreases net assets in SNP.</p>	(640,779)
<p>Current year debt retirements are shown in the government-wide financial statements as a reduction in liabilities but as an expenditure in the fund financial statements.</p>	317,700
<p>Accrued interest on bonds are recorded as liabilities in the government wide statements.</p>	410
<p>The premium on the bonds must be amortized over the life of the bonds. This results in an increase in net position.</p>	15,850
<p>GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in the ending net position to increase in the amount of \$67,773. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$62,058. The proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$92,811. The net result is to decrease the change in net position.</p>	(87,096)
<p>GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$25,397. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$26,496. The proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$11,485. The net result is an increase in the change in net position.</p>	(12,584)
<p>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.</p>	<u>17,434</u>
Change in net position - statement of activities	\$ <u><u>462,160</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, 2019

	<u>Internal Service Fund</u>
<b>ASSETS</b>	
Current:	
Cash and cash equivalents	\$ 10
Due from general fund	<u>21,543</u>
Total Assets	<u>21,553</u>
<b>LIABILITIES</b>	
Current:	
Accrued expenses	<u>20,574</u>
Total Liabilities	<u>20,574</u>
<b>NET POSITION</b>	
Unrestricted net position	<u>979</u>
Net Position - End of Year	<u>\$ 979</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, 2019

	<u>Internal Service Fund</u>
<b>OPERATING REVENUES:</b>	
Local and intermediate sources	\$ <u>2,918</u>
Total operating revenues	<u>2,918</u>
<b>OPERATING EXPENSES:</b>	
Professional and contracted services	<u>2,918</u>
Total operating expenses	<u>2,918</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, 2019

	<u>Internal Service Fund</u>
Cash flows from Operating Activities	
Cash payments from general fund	\$ 2,918
Cash payments for other operating expenses	<u>(2,918)</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, 2019

		Private- Purpose Trust Fund	Agency Fund
		<u>          </u>	<u>          </u>
	<b>ASSETS</b>		
Cash and cash equivalents		\$ 4,220	\$ 102,274
Total Assets		<u>4,220</u>	<u>102,274</u>
	<b>LIABILITIES</b>		
Accounts payable			17
Due to Student Groups			<u>102,257</u>
Total Liabilities			<u>\$ 102,274</u>
	<b>NET POSITION</b>		
Restricted for scholarships		<u>4,220</u>	
Total Net Position		<u>\$ 4,220</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, 2019

	<u>Private- Purpose Trusts</u>
<b>Additions:</b>	
Gifts and bequests	\$ 1,435
Total Additions	<u>1,435</u>
<b>Deductions:</b>	
Scholarships	<u>2,599</u>
Total Deductions	
<b>Change in Net Position</b>	(1,164)
Net Position - Beginning of Year	<u>5,384</u>
Net Position - End of Year	\$ <u><u>4,220</u></u>

*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 “FASRG”) 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 includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS’ fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

#### **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

# EULA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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:

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.

In addition, the District reports the following fund types:

*Special Revenue Funds* account 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.

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.

*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

# EULA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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 property taxes received after the end of year 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 is property taxes, charges for services, interest income and intergovernmental revenues.

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.

Operating income reported in proprietary fund financial statements include transfers from the general fund to pay worker's compensation claims. Operating expenses are the costs of worker's compensation claims and administrative costs.

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<sup>th</sup> the District prepares a budget for the next succeeding fiscal year beginning September 1<sup>st</sup>. 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<sup>st</sup>, 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, 2019.

# EULA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

#### **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".

#### **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 \$720,876 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. Specifically for the current period, the difference in delinquent taxes receivable and the associated allowance for uncollectible taxes of \$125,500 is considered a deferred inflow of resources in the governmental fund financial statements, while \$749,667 of deferred inflows related to TRS is considered deferred inflows of resources in the government-wide financial statements.

# EULA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

#### **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, 2019.

*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 \$844,402 classified as restricted for debt service, \$538 for capital projects fund, and \$1,278 restricted for the child nutrition program at August 31, 2019.

*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, 2019.

*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, 2019.

*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 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 method 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.

# EULA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

#### **Data Control Codes**

The Data control codes refer to the account code structure prescribed by TEA in the FASRG. 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.

### **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 contract period. 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, 2019, the carrying amount of the District's deposits (cash and interest-bearing accounts) was \$2,384,008 and the bank balance was \$2,611,401. The District's cash deposits at August 31, 2019 and during the year ended August 31, 2019, were under secured by FDIC and NCUA insurance or by pledged collateral held by the District's agent bank in the District's name by approximately \$9,200. The District feels the risk of loss is low.

#### **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.

# EULA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

### **NOTE 2: DEPOSITS AND INVESTMENTS - continued**

#### **Fair Value**

Generally accepted accounting principles require the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A fair value hierarchy exists for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example: interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally-developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

While management believes the District's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

For all assets and liabilities other than investments carrying value approximates fair value.

Investments are reported at fair value utilizing Level II inputs for the CDs at First Financial Brokerage Service and Abilene Teachers Federal Credit Union.

# EULA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

### **NOTE 2: DEPOSITS AND INVESTMENTS - continued**

As of August 31, 2019, 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	\$ 754,302	\$ 754,302	122 Days
Certificates of deposit maturities > 1 year	489,265	489,265	540 Days
Money market	9,824	9,824	
Total investments	<u>\$ 1,253,391</u>	<u>\$ 1,253,391</u>	

The District recorded \$489,265 of investments as long-term investments.

### **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 is exposed to approximately \$9,200 in custodial credit risk.

#### *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 a 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, 2019, 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.

# EULA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 130,169	\$	\$	\$ 130,169
Construction in progress		202,147		202,147
Total capital assets not being depreciated	130,169	202,147		332,316
Capital assets being depreciated				
Buildings and improvements	13,047,044			13,047,044
Furniture and equipment	1,552,093	253,472		1,805,565
Total capital assets being depreciated	14,599,137	253,472		14,852,609
Less accumulated depreciation for:				
Buildings and improvements	(8,629,840)	(455,208)		(9,085,048)
Furniture and equipment	(1,039,661)	(185,571)		(1,225,232)
Total accumulated depreciation	(9,669,501)	(640,779)		(10,310,280)
Total capital assets being depreciated, net	4,929,636	(387,307)		4,542,329
Governmental activities capital assets, net	\$ 5,059,805	\$ (185,160)		\$ 4,874,645

Depreciation was charged to functions as follows:

Instruction	\$ 186,010
Instructional Resources and Media Services	8,534
School Leadership	6,401
Guidance, Counseling & Evaluation Services	2,134
Health Services	2,134
Student (Pupil) Transportation	109,818
Food Service	76,432
Cocurricular/Extracurricular activities	4,183
General Administration	13,682
Plant Maintenance and Operations	231,451
Total depreciation expense - governmental activities	\$ 640,779

**NOTE 4: LONG-TERM DEBT**

The District issued \$1,256,454 of Unlimited Tax School Building Bonds, Series 2014B, 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 bonds mature on August 15, 2034.

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. The bonds mature on August 15, 2034.

# EULA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

**NOTE 4: LONG-TERM DEBT - continued**

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 decreased total debt service payments over the next 16 years by \$917,693 resulting in an economic gain of \$791,522. The bonds mature on February 15, 2030.

Description	Balance September 1, 2018	Issued	Retired	Balance August 31, 2019	Due Within One Year
Unlimited Tax School					
Building Bonds, Series 2014A	\$ 1,106,800	\$	49,700	\$ 1,057,100	\$ 52,300
Unlimited Tax School					
Building Bonds, Series 2014B	1,063,000		48,000	1,015,000	49,000
Unlimited Tax					
Refunding Bonds, Series 2015	<u>3,085,000</u>		<u>220,000</u>	<u>2,865,000</u>	<u>225,000</u>
Total Bonds	<u>5,254,800</u>		<u>317,700</u>	<u>4,937,100</u>	<u>326,300</u>
Premium on Series 2014A	28,831		1,802	27,029	
Premium on Series 2014B	28,083		1,755	26,328	
Premium on Series 2015	<u>202,840</u>		<u>12,293</u>	<u>190,547</u>	
Total	<u>\$ 5,514,554</u>	<u>\$</u>	<u>333,550</u>	<u>\$ 5,181,004</u>	<u>\$ 326,300</u>
Net Pension Liability	\$ 595,899	479,544	62,024	1,013,419	
Net OPEB Liability	<u>1,734,177</u>	<u>210,063</u>	<u>26,496</u>	<u>1,917,744</u>	
	<u>\$ 2,330,076</u>	<u>\$ 689,607</u>	<u>\$ 88,520</u>	<u>\$ 2,931,163</u>	

Debt service requirements for long term debt are as follows:

Debt Service Requirements	Principal	Interest	Total
2020	\$ 326,300	\$ 163,678	\$ 489,978
2021	342,300	151,227	493,527
2022	347,500	138,311	485,811
2023	364,500	124,907	489,407
2024	379,000	112,179	491,179
2025-2029	2,059,000	375,741	2,434,741
2030-2034	<u>1,118,500</u>	<u>104,283</u>	<u>1,222,783</u>
Total	<u>\$ 4,937,100</u>	<u>\$ 1,170,326</u>	<u>\$ 6,107,426</u>

**NOTE 5: PROPERTY TAXES**

Property taxes are levied on October 1<sup>st</sup> on the assessed value listed as of the prior January 1<sup>st</sup> 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 when they become due or past due and receivable within the current period. 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, 2019, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.22 per \$100 valuation, respectively, for a total of \$1.39 per \$100 valuation.

**EULA INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6: INTERFUND BALANCES AND ACTIVITIES**

Balances due to and from other funds at August 31, 2019, consisted of the following:

<u>Due From Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
National School Breakfast & Lunch	General Fund	\$ 2,032
Debt Service Fund	General Fund	13,648
Internal Service Fund	General Fund	21,543
		<u>\$ 37,223</u>

All amounts due are scheduled to be repaid within one year and are to eliminate deficit cash balances or to refund for expenses paid.

Interfund transfers consist of a transfer from the General Fund to the Food Service Fund in the amount of \$91,000. The transfer was needed to supplement the Food Service fund.

**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 2019, 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, 2019, 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, 2019, 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, 2018, 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 \$20,370. The District's required contribution for the year ended August 31, 2019, was \$6,142 and was recorded as an insurance expenditure.

# EULA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

### **NOTE 7: RISK MANAGEMENT – continued**

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

Unpaid Claims September 1, 2018	\$ 18,719
Incurred Claims (not including IBNR), and adjustments	4,416
Claim Payments	<u>(2,561)</u>
Total Unpaid Claims August 31, 2019	<u>\$ 20,574</u>

### **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). It is a defined benefit pension plan 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 workload 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 <https://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

#### ***Benefits Provided***

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

#### ***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 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	Contribution Rates	
	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Current fiscal year employer contributions	\$	67,773
Current fiscal year member contributions	\$	224,275
2019 measurement year NECE on-behalf contributions	\$	160,849

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

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

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

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

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

***Actuarial Assumptions***

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

# EULA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Rate	7.25%
Last year ending August 31 in 2017 to 2116	
Projection period (100 years)	2116
Inflation	2.30%
Salary Increases	3.05% to 9.05%, including inflation

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2017 and adopted in July 2018.

***Discount Rate***

The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation Percentage	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
<b>Global Equity</b>			
U.S.	18%	5.7%	1.0%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	9.0%	0.8%
Directional Hedge Funds	4%	3.5%	0.1%
Private Equity	13%	10.2%	1.3%
<b>Stable Value</b>			
U.S. Treasuries	11%	1.1%	0.1%
Absolute Return	0%	0.0%	0.0%
Stable Value Hedge Funds	4%	3.1%	0.1%
Cash	1%	-0.3%	0.0%
<b>Real Returns</b>			
Global Inflation Linked Bonds	3%	0.7%	0.0%
Real Assets	14%	5.2%	0.7%
Energy and Natural Resources	5%	7.5%	0.4%

# EULA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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

Commodities	0%	0.0%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	3.7%	0.2%
Inflation Expectation			2.3%
Alpha			-0.8%
<b>Total</b>	100%		7.2%

\* The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

***Discount Rate Sensitivity Analysis***

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
Proportionate share of the net pension liability	\$ 1,529,492	\$ 1,013,419	\$ 595,627

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

At August 31, 2019, Eula Independent School District reported a liability of \$1,013,419 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	\$	1,013,419
State's proportionate share that is associated with the District		2,629,767
<b>Total</b>	<b>\$</b>	<b>3,643,186</b>

The net pension liability was measured as of August 31, 2018 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, 2017 thru August 31, 2018.

At August 31, 2018, the employer's proportion of the collective net pension liability was 0.0018411593% which was a decrease of 0.0000225038% from its proportion measured as of August 31, 2017.

***Changes Since the Prior Actuarial Valuation***

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.

## EULA INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

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

- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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

For the year ended August 31, 2019, Eula Independent School District recognized pension expense of \$415,146 and revenue of \$260,277 for support provided by the State.

At August 31, 2019, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 6,317	\$ 24,865
Changes in actuarial assumptions	365,386	11,418
Difference between projected and actual investment earnings		19,229
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	121,893	6,988
Total as of August 31, 2018 measurement date	493,596	62,500
Contributions paid to TRS subsequent to the measurement date	67,773	
Total as of fiscal year-end	\$ 561,369	\$ 62,500

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
Year ended August 31:	
2020	\$ 119,439
2021	78,976
2022	66,660
2023	65,672
2024	61,069
Thereafter	39,280

**NOTE 9: DEFINED OTHER POST-EMPLOYMENT BENEFITS PLANS**

***Plan Description***

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

***OPEB Plan Fiduciary Net Position***

Detailed information about the TRS-Care's fiduciary net position is available in a separately issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at

**EULA INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9: DEFINED OTHER POST-EMPLOYMENT BENEFITS PLANS - continued**

<https://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.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2018 are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 50,729,490,103
Less: Plan Fiduciary Net Position	(798,574,633)
Net Pension Liability	<u>\$ 49,930,915,470</u>
Net Position as a Percentage of Total OPEB Liability	1.57%

***Benefits Provided***

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with and without Medicare coverage.

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

*\*or surviving spouse*

***Contributions***

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

## EULA INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

**NOTE 9: DEFINED OTHER POST-EMPLOYMENT BENEFITS PLANS - continued**

	Contribution Rates	
	2018	2019
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions	\$	25,397
Current fiscal year member contributions	\$	18,933
2019 measurement year NECE on-behalf contributions	\$	32,988

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85<sup>th</sup> Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

***Actuarial Assumptions***

The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Table.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

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

Additional actuarial methods and assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate*	3.69%
Aging Factors	Based on plan specific experience

## EULA INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

**NOTE 9: DEFINED OTHER POST-EMPLOYMENT BENEFITS PLANS – continued**

Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases**	3.05% to 9.05%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65.
Ad Hoc Post-Employment Benefit Changes	None

\* Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.

\*\* Includes Inflation at 2.30%

***Discount Rate***

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

***Discount Rate Sensitivity Analysis***

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
	<u>Rate (2.69%)</u>	<u>Rate (3.69%)</u>	<u>Rate (4.69%)</u>
Proportionate share of the net OPEB liability	\$ 2,282,775	\$ 1,917,744	\$ 1,628,982

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

At August 31, 2019, Eula Independent School District reported a liability of \$1,917,744 for its proportionate share of the TRS’ net OPEB liability. This liability reflects a reduction for State OPEB support provided to Eula Independent School District. The amount recognized by Eula Independent School District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with Eula Independent School District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 1,917,744
State's proportionate share that is associated with the District	<u>2,391,034</u>
Total	<u><u>\$ 4,308,778</u></u>

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net OPEB liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

## EULA INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

**NOTE 9: *DEFINED OTHER POST-EMPLOYMENT BENEFITS PLANS - continued***

At August 31, 2018, the employer's proportion of the collective net OPEB liability was 0.0038407956% which was a decrease of 0.0001470781% from its proportion measured as of August 31, 2017.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	Current Healthcare Cost		
	1% Decrease	Trend Rate	1% Increase
Proportionate share of net OPEB liability	\$ 1,592,718	\$ 1,917,744	\$ 2,345,811

***Changes Since the Prior Actuarial Valuation***

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

Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.

The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.

Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.

The discount rate was changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

Change of Benefit Terms Since the Prior Measurement Date – Please see the 2018 TRS CAFR, page 68, section B. for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

For the year ended August 31, 2019, Eula Independent School District recognized OPEB expense of \$124,952 and revenue of \$86,971 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 101,768	\$ 30,265
Changes in actuarial assumptions	32,002	576,172
Difference between projected and actual investment earnings	335	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	5	80,730
Total as of August 31, 2017 measurement date	134,110	687,167
Contributions paid to TRS subsequent to the measurement date	25,397	
Total as of fiscal year-end	\$ 159,507	\$ 687,167

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized in OPEB expense as follows:

## EULA INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

**NOTE 9: DEFINED OTHER POST-EMPLOYMENT BENEFITS PLANS - continued**

Year ended August 31:	OPEB Expense Amount
2020	\$ (85,519)
2021	(85,519)
2022	(85,520)
2023	(85,584)
2024	(85,621)
Thereafter	(125,294)

**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, 2019, 2018, and 2017 in the amount of \$8,756, \$8,497, and \$8,149, 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 \$206,640 for the year ended August 31, 2019.

**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, 2019.

**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, 2019 are summarized below.

<u>Fund</u>	<u>State Grants/ Entitlements</u>	<u>Federal Grant</u>	<u>Total</u>
General Fund	\$ 939,649	\$	\$ 939,649
National Breakfast and Lunch Program		23,333	23,333
Debt Service Fund	2,145		2,145
Total	<u>\$ 941,794</u>	<u>\$ 23,333</u>	<u>\$ 965,127</u>

**EULA INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 14: REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

For the year ended August 31, 2019, revenues from local and intermediate sources for governmental fund types consisted of the following:

	General Fund	Child Nutrition	Debt Service Fund	Total
Property taxes	\$ 3,057,336	\$	\$ 576,340	\$ 3,633,676
Food service sales		58,107		58,107
Penalties, interest & other tax revenues	37,541			37,541
Investment earnings	52,524		17,838	70,362
Miscellaneous	9,456			9,456
Athletic activities	1,424			1,424
	<u>\$ 3,158,281</u>	<u>\$ 58,107</u>	<u>\$ 594,178</u>	<u>\$ 3,810,566</u>

**NOTE 15: JOINT VENTURE – SHARED SERVICES ARRANGEMENT**

The District participates in shared services arrangements with Region XIV and Jim Ned Consolidated Independent School District. 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 and Jim Ned Consolidated Independent School District, nor does the District have a net equity interest in the fiscal agents. The fiscal agents are 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 managers are responsible for all financial activities of the shared services arrangement. Presented below are the revenues and expenditures attributable to the District's participation:

Region XIV	ESEA Title II Part A	Vocational Education	Title IV Part A
Revenue	\$ <u>6,926</u>	\$ <u>6,961</u>	\$ <u>4,631</u>
Expenditures			
Contracted Services	5,868	1,243	3,490
Supplies	740	5,478	1,049
Other Costs	318	240	92
Total Expenditures	\$ <u>6,926</u>	\$ <u>6,961</u>	\$ <u>4,631</u>
% Attributable	2.31%	3.35%	2.28%
Jim Ned Consolidated Independent School District	IDEA B Formula	IDEA B Preschool	IDEA B IEP Analysis
Revenue	\$ <u>100,701</u>	\$ <u>3,987</u>	\$ <u>6,526</u>
Expenditures			
Payroll Costs	96,150	3,867	6,317
Contracted Services	1,549		
Supplies & Materials	100		
Other Costs	2,902	120	209
Total Expenditures	\$ <u>100,701</u>	\$ <u>3,987</u>	\$ <u>6,526</u>
% Attributable	10.88%	10.88%	10.88%

# EULA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

### **NOTE 16: NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS**

The District has implemented GASB No. 68 and 75, which record the District's proportionate share of the Net Pension and OPEB liability of the Teacher Retirement System. Because of the changes in actuarial assumptions and difference between expected and actual actuarial experience, recording the current year activity caused operating grants and contributions to be negative. The following table shows the effects of GASB No. 68 & 75 on current year statement of activities.

Functional Allocation	Operating Grants & Contributions Statement of Activities	GASB 68 & 75 Negative Government- Wide On-Behalf Accrual	Operating Grants & Contributions - Statement of Activities (excluding the effect of GASB 75 negative on-behalf accrual)
11 Pension expense - Instruction	\$ 468,484	\$ 17,745	\$ 450,739
12 Pension expense - Instructional resources and media services	(21,660)	(21,660)	-
23 Pension expense - School leadership	(32,289)	(32,289)	-
31 Pension expense - Guidance, counseling and evaluation services	(11,434)	(11,434)	-
33 Pension expense - Health services	(4,674)	(4,674)	-
34 Pension expense - Student (pupil) transportation	(2,870)	(2,870)	-
35 Pension expense - Food services	145,831	(26,368)	172,199
36 Pension expense - Extracurricular activities	(8,801)	(8,801)	-
41 Pension expense - General administration	(25,792)	(25,792)	-
51 Pension expense - Facilities maintenance and operations	(24,212)	(24,212)	-
52 Pension expense - Security and monitoring services	(252)	(252)	-
	<u>482,331</u>	<u>(140,607)</u>	<u>622,938</u>

### **NOTE 17: NEGATIVE NET POSITION**

A prior period adjustment was recorded in the 2018 fiscal year to account for the prior effects of the net OPEB liability which resulted in the initial negative net position. Although the negative net position decreased by \$462,160 in the current year, the District has a negative net position in the amount of \$25,633.

### **NOTE 18: NEW ACCOUNTING PRONOUNCEMENTS**

In November 2016, the GASB issued Statement No. 83 *Certain Asset Retirement Obligations*. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In January 2017, the GASB issued Statement No. 84 *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for reporting

# EULA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

### **NOTE 18: NEW ACCOUNTING PRONOUNCEMENTS - continued**

periods beginning after December 15, 2018. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2017, the GASB issued Statement No. 87 *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In April 2018, the GASB issued Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. The District determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In June 2018, the GASB issued Statement No. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In August 2018, the GASB issued Statement No. 90 *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The District has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In May 2019, the GASB issued Statement No. 91 *Conduit debt obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. 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, 2019

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
<b>REVENUES:</b>					
5700	Local and intermediate sources	\$ 3,118,423	\$ 3,139,923	\$ 3,158,281	\$ 18,358
5800	State program revenues	1,580,933	2,117,219	2,097,898	(19,321)
5900	Federal program revenues	3,665	24,100	24,019	(81)
5020	Total Revenues	4,703,021	5,281,242	5,280,198	(1,044)
<b>EXPENDITURES:</b>					
Current					
0011	Instruction	2,414,922	2,625,507	2,495,959	129,548
0012	Instructional resources & media services	43,223	44,423	40,653	3,770
0013	Curriculum & instructional staff development	250	250	182	68
0023	School leadership	293,167	293,667	284,236	9,431
0031	Guidance, counseling & evaluation services	121,566	121,716	109,973	11,743
0033	Health services	63,131	69,831	64,170	5,661
0034	Student (pupil) transportation	234,535	248,785	244,266	4,519
0036	Extracurricular activities	154,550	175,650	168,836	6,814
0041	General administration	397,892	408,092	375,011	33,081
0051	Facilities maintenance & operations	707,301	876,501	736,366	140,135
0052	Security & monitoring services	2,411	5,711	4,601	1,110
0053	Data processing services	27,676	27,676	25,324	2,352
0061	Community services	100	100		100
0081	Facilities acquisition and construction		230,500	207,647	22,853
0093	Payments to fiscal agent/member district of SSA	151,320	151,320	151,319	1
6030	Total Expenditures	4,612,044	5,279,729	4,908,543	371,186
1100	Excess of Revenues Over Expenditures	90,977	1,513	371,655	370,142
<b>OTHER FINANCING SOURCES (USES):</b>					
7912	Sale of real & personal property		2,000		(2,000)
8911	Transfers out	(90,977)	(92,977)	(91,000)	1,977
7080	Total Other Financing Sources (Uses)	(90,977)	(90,977)	(91,000)	(23)
1200	Net Change in Fund Balance		(89,464)	280,655	370,119
0100	Fund Balance - Beginning	1,994,176	1,994,176	1,994,176	
3000	Fund Balance - Ending	\$ 1,994,176	\$ 1,904,712	\$ 2,274,831	\$ 370,119

**EULA INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM  
 FOR THE YEAR ENDED AUGUST 31, 2019

	Measurement Year Ended August 31,			
	2018	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.001841159%	0.001863663%	0.001819245%	0.0018842%
District's Proportionate Share of Net Pension Liability	\$ 1,013,419	\$ 595,899	\$ 687,465	\$ 666,040
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	<u>2,629,767</u>	<u>1,601,771</u>	<u>1,806,969</u>	<u>1,675,059</u>
Total	<u>\$ 3,643,186</u>	<u>\$ 2,197,670</u>	<u>\$ 2,494,434</u>	<u>\$ 2,341,099</u>
District's Covered Employee Payroll	\$ 2,725,445	\$ 2,715,649	\$ 2,477,083	\$ 2,273,202
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	37.18%	21.94%	27.75%	29.30%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	82.17%	82.17%	78.00%	78.43%

NOTE: GASB 68, Paragraph 138, requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016, and August 31, 2014 for year 2015.

NOTE: In accordance with GASB 68, Paragraph 138, only five years of data is presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this statement."

2014  
0.0009824%

\$ 262,412

1,474,841

\$ 1,737,253

\$ 2,241,046

11.71%

83.25%

**EULA INDEPENDENT SCHOOL DISTRICT**

EXHIBIT G-3

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM  
 FOR THE YEAR ENDED AUGUST 31, 2019

	Fiscal Year Ended August 31,				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 67,773	\$ 62,058	\$ 61,083	\$ 57,805	\$ 55,810
Contribution in Relation to the Contractually Required Contribution	<u>(67,773)</u>	<u>(62,058)</u>	<u>(61,083)</u>	<u>(57,805)</u>	<u>(55,810)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Employee Payroll	\$ 2,932,069	\$ 2,725,445	\$ 2,715,649	\$ 2,477,083	\$ 2,273,202
Contributions as a percentage of Covered Employee Payroll	2.31%	2.28%	2.25%	2.33%	2.46%

NOTE: GASB 68, Paragraph 81, requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

NOTE: In accordance with GASB 68, Paragraph 138, only five years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this statement."

**EULA INDEPENDENT SCHOOL DISTRICT**

EXHIBIT G-4

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM  
 FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019	FY 2018
	<u>Plan Year 2018</u>	<u>Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.003840796%	0.003987874%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 1,917,744	\$ 1,734,177
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	<u>2,391,034</u>	<u>2,177,411</u>
Total	<u>\$ 4,308,778</u>	<u>\$ 3,911,588</u>
District's Covered Payroll	\$ 2,725,445	\$ 2,715,649
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	70.36%	63.86%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	1.57%	0.91%

NOTE: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore, the amounts reported for FY 2019 are based on the August 31, 2018 measurement date. The amounts reported for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the two years for which this information is available. Additional information will be added until 10 years of data are available and reported.

**EULA INDEPENDENT SCHOOL DISTRICT**

EXHIBIT G-5

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS  
TEACHER RETIREMENT SYSTEM  
 FOR THE YEAR ENDED AUGUST 31, 2019

	<u>Fiscal Year Ended August 31,</u>	
	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 25,397	\$ 26,496
Contribution in Relation to the Contractually Required Contribution	<u>(25,397)</u>	<u>(26,496)</u>
Contribution Deficiency (Excess)	<u>\$</u>	<u>\$</u>
District's Covered Employee Payroll	\$ 2,912,675	\$ 2,732,588
Contributions as a percentage of Covered Employee Payroll	0.87%	0.97%

NOTE: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

**OTHER SUPPLEMENTARY INFORMATION**

**EULA INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2019

Data Control Codes		211 ESEA, Title I Part A, Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA, Title II Part A Training and Recruiting
	<b>ASSETS</b>			
1110	Cash and cash equivalents	\$	\$ (1,931)	\$
1240	Receivables from other governments		10,708	
1260	Due from other funds		2,032	
1800	Restricted assets			
1000	Total Assets	\$	\$ 10,809	\$
	<b>LIABILITIES</b>			
2160	Accrued wages payable	\$	\$ 9,353	\$
2200	Accrued expenditures		178	
2000	Total Liabilities		9,531	
	<b>FUND BALANCES</b>			
	Restricted fund balance:			
3450	Federal or State funds		1,278	
3470	Capital acquisition and construction obligation			
3000	Total Fund Balance		1,278	
4000	Total Liabilities and Fund Balances	\$	\$ 10,809	\$

289	410	Total Nonmajor Governmental Funds	699	Total Nonmajor Governmental Funds
Reap Grant	State Textbook Fund		Capital Projects Fund	
\$	\$ (12,625)	\$ (14,556)		\$ (14,556)
	12,625	23,333		23,333
		2,032		2,032
			538	538
\$	\$	\$ 10,809	\$ 538	\$ 11,347
<hr/>				
\$	\$	\$ 9,353		\$ 9,353
		178		178
		9,531		9,531
<hr/>				
		1,278		1,278
			538	538
		1,278	538	1,816
\$	\$	\$ 10,809	\$ 538	\$ 11,347

**EULA INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	211 ESEA, Title I Part A, Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA, Title II Part A Training and Recruiting
<b>REVENUES</b>			
5700	Local and intermediate sources	\$	\$ 58,107
5800	State program revenues		1,262
5900	Federal program revenues	<u>109,614</u>	<u>170,937</u>
5020	Total Revenues	<u>109,614</u>	<u>230,306</u>
<b>EXPENDITURES</b>			
Current:			
0011	Instruction	109,614	13,815
0035	Food services		<u>323,726</u>
6030	Total Expenditures	<u>109,614</u>	<u>323,726</u>
1100	Excess (Deficiency) of Revenues over (Under) Expenditures		<u>(93,420)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
7915	Transfers in		<u>91,000</u>
	Total other financing sources (uses)		<u>91,000</u>
1200	Net Change in Fund Balance		(2,420)
0100	Fund Balance - Beginning		<u>3,698</u>
3000	Fund Balance - Ending	\$ <u><u>          </u></u>	\$ <u><u>1,278</u></u> \$ <u><u>          </u></u>

289	410	Total Nonmajor Special Revenue Funds	699	Total Nonmajor Governmental Funds
Reap Grant	State Textbook Fund		Capital Projects Fund	
\$	\$	\$ 58,107	\$	\$ 58,107
	49,881	51,143		51,143
<u>36,191</u>		<u>330,557</u>		<u>330,557</u>
<u>36,191</u>	<u>49,881</u>	<u>439,807</u>		<u>439,807</u>
<u>36,191</u>	<u>49,881</u>	<u>209,501</u>		<u>209,501</u>
		<u>323,726</u>		<u>323,726</u>
<u>36,191</u>	<u>49,881</u>	<u>533,227</u>	<u>-</u>	<u>533,227</u>
		<u>(93,420)</u>		<u>(93,420)</u>
		<u>91,000</u>		<u>91,000</u>
		<u>91,000</u>		<u>91,000</u>
		<u>(2,420)</u>		<u>(2,420)</u>
		<u>3,698</u>	<u>538</u>	<u>4,236</u>
<u>\$</u>	<u>\$</u>	<u>\$ 1,278</u>	<u>\$ 538</u>	<u>\$ 1,816</u>

## **REQUIRED TEA SCHEDULES**

**EULA INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

Last Ten Years Ended August 31	1		2	3	10
	Tax Rates		Debt Service	Assessed/ Appraised Value For School Tax Purposes	Beginning Balance 9/1/2017
	Maintenance				
2010 (and prior years)	Various	Various	Various	\$	5,841
2011	1.1700	0.1800	212,740,647		4,944
2012	1.1700	0.1700	219,017,761		4,686
2013	1.1700	0.1700	221,969,070		3,944
2014	1.1700	0.1780	220,945,970		7,109
2015	1.1700	0.2700	225,599,942		9,995
2016	1.1700	0.2700	225,562,083		11,629
2017	1.1700	0.2700	233,839,306		20,948
2018	1.1700	0.2700	234,025,764		65,952
2019 (School Year Under Audit)	1.1700	0.2200	261,268,417		
Total				\$	<u>135,048</u>

	20	31	32	40	50
	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/2018
\$		\$ 615	\$ 92	\$ 99	\$ 5,233
		233	44	(23)	4,644
		280	53	(7)	4,346
		451	85	(8)	3,400
		232	44	(7)	6,826
		773	145	3,261	12,338
		2,326	437	3,083	11,949
		7,860	1,478	2,878	14,488
		33,555	7,789	2,673	27,281
	<u>3,631,631</u>	<u>3,011,011</u>	<u>566,173</u>	<u>15,402</u>	<u>69,849</u>
\$	<u><u>3,631,631</u></u>	<u><u>3,057,336</u></u>	<u><u>576,340</u></u>	<u><u>27,351</u></u>	<u><u>160,354</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, 2019

Data Control Codes		<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
		<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES:</b>					
5700	Local and intermediate sources	\$ 72,400	\$ 71,000	\$ 58,107	\$ (12,893)
5800	State program revenues	141,000	1,400	1,262	(138)
5900	Federal program revenues		<u>172,120</u>	<u>170,937</u>	<u>(1,183)</u>
5020	Total Revenues	<u>213,400</u>	<u>244,520</u>	<u>230,306</u>	<u>(14,214)</u>
<b>EXPENDITURES:</b>					
0035	Food services	<u>304,377</u>	<u>335,197</u>	<u>323,726</u>	<u>11,471</u>
6030	Total Expenditures	<u>304,377</u>	<u>335,197</u>	<u>323,726</u>	<u>11,471</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(90,977)	(90,677)	(93,420)	(2,743)
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers in	<u>90,977</u>	<u>92,977</u>	<u>91,000</u>	<u>(1,977)</u>
	Total Other Financing Sources (Uses)	<u>90,977</u>	<u>92,977</u>	<u>91,000</u>	<u>(1,977)</u>
1200	Net Change in Fund Balance		2,300	(2,420)	(4,720)
0100	Fund Balance - Beginning	<u>3,698</u>	<u>3,698</u>	<u>3,698</u>	
3000	Fund Balance - Ending	<u>\$ 3,698</u>	<u>\$ 5,998</u>	<u>\$ 1,278</u>	<u>\$ (4,720)</u>

**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, 2019

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
<b>REVENUES:</b>					
5700	Local and intermediate sources	\$ 555,824	\$ 594,824	\$ 594,178	\$ (646)
5800	State program revenues	12,295	12,295	12,295	
5020	Total Revenues	<u>568,119</u>	<u>607,119</u>	<u>606,473</u>	<u>(646)</u>
<b>EXPENDITURES:</b>					
0071	Debt service - Principal on long-term debt	317,700	316,700	317,700	(1,000)
0072	Debt service - Interest on long-term debt	170,902	171,902	170,902	1,000
0073	Debt service - bond issuance cost and fees		1,000	500	500
6030	Total Expenditures	<u>488,602</u>	<u>489,602</u>	<u>489,102</u>	<u>500</u>
1200	Net Change in Fund Balance	79,517	117,517	117,371	(146)
0100	Fund Balance - Beginning	<u>727,031</u>	<u>727,031</u>	<u>727,031</u>	
3000	Fund Balance - Ending	<u>\$ 806,548</u>	<u>\$ 844,548</u>	<u>\$ 844,402</u>	<u>\$ (146)</u>

**OTHER INFORMATION REQUIRED BY GAO**

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, 2019, 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 September 27, 2019.

**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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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**

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

**MERRITT, MCLANE & HAMBY, P.C.**

Abilene, Texas  
September 27, 2019

**EULA INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND RESPONSES**

YEAR ENDED AUGUST 31, 2019

**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, 2019

Prior Year Findings:

None

**EULA INDEPENDENT SCHOOL DISTRICT**

EXHIBIT L-1

SCHOOLS FIRST QUESTIONNAIRE

AUGUST 31, 2019

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?	Yes
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.	\$ 1,013,419
SF13	Pension Expense (6147) at fiscal year-end.	\$