

EARLY INDEPENDENT SCHOOL DISTRICT  
Annual Financial Report  
Ten-Month Period Ended June 30, 2015

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CERTIFICATE OF THE BOARD

EARLY INDEPENDENT SCHOOL DISTRICT  
Name of School District

BROWN  
County

025-909  
County -  
District  
Number

We, the undersigned, certify that the attached annual financial report of the above-named School District was reviewed and

X approved \_\_\_ disapproved for the ten-month period ended June 30, 2015, at a meeting of the Board of Trustees of such School  
(Check One)

District on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Robert Wade  
Signature of Board Secretary

\_\_\_\_\_  
Shawn Russell  
Signature of Board President

If the Board of Trustees disapproved the annual financial report, the reason(s) for disapproving it is (are) (attach list as necessary):

FINANCIAL SECTION



A Limited Liability Partnership

Michael E. Oliphant, CPA  
Calvin Featherston, CPA  
Wayne Barr, CPA  
Cathryn A. Pitcock, CPA

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American Institute of CPAs  
Texas Society of CPAs

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Early Independent School District  
P.O. Box 3315  
Early, TX 76803-3315

### **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 the Early Independent School District as of and for the ten-month period ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 risk 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 District'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 District'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 the Early Independent School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the ten-month period then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

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

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information on pages 4 through 8, 45, and 46 through 47, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Early Independent School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015, on our consideration of the Early Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Early Independent School District's internal control over financial reporting and compliance.

***Eckert & Company, LLP***

October 20, 2015

# Early Independent School District

101 Turtle Creek

PO Box 3315

Early, Texas 76803

Phone 325-646-7934 Fax 325-646-9238

Superintendent  
Business Manager

Wes Beck  
Becky Benefield

Chief Academic Officer  
Human Resources

Reca Godfrey  
Betty Yates

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Early Independent School District's financial performance provides an overview of the District's financial activities for the ten-month period ended June 30, 2015. It should be read in conjunction with the District's basic financial statements and independent auditor's report.

### Financial Highlights

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of the current period by \$3,756,941 (net position). Of this amount, \$2,716,805 (unrestricted) may be used to meet the District's ongoing obligations.

The District's total net position increased by \$415,336 or 12%. This amount consists of a \$1,376,093 increase attributable to current period operations and a \$960,757 decrease attributable to prior period adjustments described in Note IV., J. to the financial statements. The District's statement of activities shows total revenues of \$14,851,072 and total expenses of \$13,474,979.

The total fund balance of the General Fund is \$3,468,803 which is an increase of \$1,617,765 or 87% compared to the prior period.

In September 2014, the District elected to change its fiscal year end from August 31st to June 30th. This resulted in the current period's presentation of the ten months ended June 30, 2015, and the prior year's presentation of the year ended August 31, 2014. Normal comparisons of the government-wide financial information must be performed with the knowledge of these changes. However, since these comparisons remain relevant in many instances, the prior year has been presented.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the current period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Overview of the Financial Statements - Continued

The governmental activities of the District include all activities related to public elementary and secondary education within the jurisdiction of the District.

The District has no component units.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current period.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the SSA - Special Education Fund, and the Debt Service Fund, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund, Food Service Special Revenue Fund, and Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with the budget for each fund.

**Proprietary Funds** - The District's Internal Service Fund is used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its workers' compensation insurance program. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The Internal Service Fund is presented in the proprietary fund financial statements.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**MANAGEMENT’S DISCUSSION AND ANALYSIS** - Continued

**Government-Wide Financial Analysis**

**Net Position** - A summary of the District’s net position is presented below:

NET POSITION

	Governmental Activities	
	June 30, 2015	August 31, 2014
Current and Other Assets	\$ 6,623,874	\$ 3,922,439
Capital Assets	22,267,294	23,165,497
Total Assets	\$ 28,891,168	\$ 27,087,936
Deferred Outflows of Resources	\$ 950,830	\$ 726,530
Long-Term Liabilities Outstanding	\$ 24,197,334	\$ 23,848,504
Other Liabilities	1,586,610	624,357
Total Liabilities	\$ 25,783,944	\$ 24,472,861
Deferred Inflows of Resources	\$ 301,113	\$ 0
Net Position		
Net Investment in Capital Assets	\$ (257,310)	\$ 43,523
Restricted	1,297,446	1,242,859
Unrestricted	2,716,805	2,055,223
Total Net Position	\$ 3,756,941	\$ 3,341,605

A portion of the District's net position (\$257,310 deficit) reflects the District's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide public elementary and secondary education within the jurisdiction of the District; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District’s net position (\$1,297,446) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$2,716,805) may be used to meet the District’s ongoing obligations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**Government-Wide Financial Analysis - Continued**

**Governmental Activities** - Governmental activities increased the District's net position by \$1,376,093 and decreased the District's net position by \$1,897,608 for the ten-month period ended June 30, 2015 and for the fiscal year ended August 31, 2014, respectively. Key elements of these increases (decreases) are as follows:

CHANGES IN NET POSITION

	Governmental Activities	
	Ten-Month Period Ended June 30, 2015	Year Ended August 31, 2014
Revenues		
Program Revenues		
Charges for Services	\$ 444,111	\$ 485,609
Operating Grants and Contributions	3,309,574	2,899,595
General Revenues		
Maintenance and Operations Taxes	3,151,422	2,586,289
Debt Service Taxes	619,947	894,670
State Aid - Formula Grants	7,258,045	6,692,714
Investment Earnings	3,963	4,914
Other	64,010	67,380
Total Revenues	\$ 14,851,072	\$ 13,631,171
Expenses		
Instruction and Instructional-Related Services	\$ 7,658,626	\$ 7,914,753
Instructional and School Leadership	1,001,793	1,199,158
Support Services - Student (Pupil)	2,305,764	2,541,180
Administrative Support Services	375,102	551,584
Support Services - Nonstudent Based	1,080,065	1,259,599
Debt Service	677,135	1,698,741
Intergovernmental Charges	376,494	363,764
Total Expenses	\$ 13,474,979	\$ 15,528,779
Change in Net Position	\$ 1,376,093	\$ (1,897,608)
Net Position - Beginning	3,341,605	5,135,327
Prior Period Adjustments	(960,757)	103,886
Net Position - Ending	\$ 3,756,941	\$ 3,341,605

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the current period.

The District's governmental funds reported combined ending fund balances of \$5,062,919, an increase of \$1,939,217 or 62% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$3,468,803. Of this balance \$800,000 is committed for future construction.

Special Revenue Funds \$954,827. Of this balance, \$939,573 is restricted for use in the Special Education Cooperative (Heartland Special Education Cooperative) for which the District serves as fiscal agent, and \$15,254 is committed for use by the Campus Activity Funds of the District.

Debt Service Fund \$639,289. This balance is restricted for payment of long-term debt principal and interest.

### General Fund Budget

The original budget for the General Fund was \$10,083,884, and the final amended budget was \$10,088,243 which represents a \$4,359 increase in appropriations. None of the variances between the original budget and the final amended budget were significant.

The District has adopted a budget for the General Fund in the amount of \$10,436,958 for the fiscal year 2016, which is an increase of \$348,715 from the fiscal year 2015.

### Capital Assets and Debt

**Capital Assets** - Financial statement footnote III., D. discloses the District's capital asset activity for the ten-month period ended June 30, 2015.

**Long-Term Debt** - Financial statement footnote III., G. discloses the District's debt activity for the ten-month period ended June 30, 2015.

### Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Wes Beck, Superintendent, Early Independent School District, P.O. Box 3315, Early, TX 76803-3315.

Basic Financial Statements

EARLY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Temporary Investments	\$ 3,915,482
1220 Property Taxes - Delinquent	276,374
1230 Allowance for Uncollectible Taxes	(91,554)
1240 Due from Other Governments	2,523,572
Capital Assets:	
1510 Land	325,937
1520 Buildings, Net	21,446,947
1530 Furniture and Equipment, Net	494,410
1000 Total Assets	28,891,168
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Loss on Refunding	688,388
1705 Deferred Outflow Related to TRS	262,442
1700 Total Deferred Outflows of Resources	950,830
<b>LIABILITIES</b>	
2110 Accounts Payable	109,067
2120 Other Liabilities - Current	1,000
2140 Interest Payable	316,747
2150 Payroll Deductions and Withholdings	28
2160 Accrued Wages Payable	1,006,598
2177 Due to Fiduciary Funds	789
2180 Due to Other Governments	14,751
2200 Accrued Expenses	134,200
2300 Unearned Revenue	3,430
Noncurrent Liabilities	
2501 Due Within One Year	600,000
2502 Due in More Than One Year	22,612,992
2540 Net Pension Liability (District's Share)	984,342
2000 Total Liabilities	25,783,944
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS	301,113
2600 Total Deferred Inflows of Resources	301,113
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	(257,310)
3820 Restricted for Federal and State Programs	939,573
3850 Restricted for Debt Service	357,873
3900 Unrestricted	2,716,805
3000 Total Net Position	\$ 3,756,941

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

EARLY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE TEN MONTHS ENDED JUNE 30, 2015

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position  Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 7,371,119	\$ 97,156	\$ 2,204,093	\$ (5,069,870)
12 Instructional Resources and Media Services	232,066	-	11,193	(220,873)
13 Curriculum and Instructional Staff Development	55,441	-	11,450	(43,991)
21 Instructional Leadership	300,522	-	207,332	(93,190)
23 School Leadership	701,271	-	34,802	(666,469)
31 Guidance, Counseling, and Evaluation Services	558,144	-	322,545	(235,599)
33 Health Services	125,469	-	6,218	(119,251)
34 Student (Pupil) Transportation	161,123	-	17,845	(143,278)
35 Food Services	793,743	280,735	400,467	(112,541)
36 Extracurricular Activities	667,285	58,332	16,543	(592,410)
41 General Administration	375,102	-	27,513	(347,589)
51 Facilities Maintenance and Operations	913,903	7,888	35,000	(871,015)
52 Security and Monitoring Services	10,603	-	317	(10,286)
53 Data Processing Services	155,559	-	-	(155,559)
72 Debt Service - Interest on Long-Term Debt	674,931	-	-	(674,931)
73 Debt Service - Bond Issuance Cost and Fees	2,204	-	-	(2,204)
93 Payments Related to Shared Services Arrangements	376,494	-	14,256	(362,238)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 13,474,979</u>	<u>\$ 444,111</u>	<u>\$ 3,309,574</u>	<u>(9,721,294)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			3,151,422
DT	Property Taxes, Levied for Debt Service			619,947
SF	State Aid - Formula Grants			7,258,045
IE	Investment Earnings			3,963
MI	Miscellaneous Local and Intermediate Revenue			64,010
TR	Total General Revenues			<u>11,097,387</u>
CN	Change in Net Position			1,376,093
NB	Net Position - Beginning			3,341,605
PA	Prior Period Adjustment			(960,757)
NE	Net Position--Ending			<u>\$ 3,756,941</u>

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

EARLY INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

Data Control Codes	10 General Fund	SSA Special Education	50 Debt Service Fund
<b>ASSETS</b>			
1110 Cash and Temporary Investments	\$ 2,111,951	\$ 1,051,700	\$ 631,349
1220 Property Taxes - Delinquent	223,542	-	52,832
1230 Allowance for Uncollectible Taxes	(74,053)	-	(17,501)
1240 Due from Other Governments	2,266,863	28,795	7,940
1260 Due from Other Funds	6,529	-	-
1000 Total Assets	<u>\$ 4,534,832</u>	<u>\$ 1,080,495</u>	<u>\$ 674,620</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 83,518	\$ 3,996	\$ -
2120 Other Liabilities - Current	1,000	-	-
2150 Payroll Deductions and Withholdings Payable	28	-	-
2160 Accrued Wages Payable	728,749	105,904	-
2170 Due to Other Funds	24,012	9,021	-
2180 Due to Other Governments	-	11,448	-
2200 Accrued Expenditures	78,133	10,553	-
2300 Unearned Revenue	1,100	-	-
2000 Total Liabilities	<u>916,540</u>	<u>140,922</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	149,489	-	35,331
2600 Total Deferred Inflows of Resources	<u>149,489</u>	<u>-</u>	<u>35,331</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	939,573	-
3480 Retirement of Long-Term Debt	-	-	639,289
Committed Fund Balance:			
3510 Construction	800,000	-	-
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	2,668,803	-	-
3000 Total Fund Balances	<u>3,468,803</u>	<u>939,573</u>	<u>639,289</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,534,832</u>	<u>\$ 1,080,495</u>	<u>\$ 674,620</u>

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

Other Funds	Total Governmental Funds
\$ 44,269	\$ 3,839,269
-	276,374
-	(91,554)
219,974	2,523,572
-	6,529
<u>\$ 264,243</u>	<u>\$ 6,554,190</u>
\$ 21,553	\$ 109,067
-	1,000
-	28
171,945	1,006,598
16,198	49,231
3,303	14,751
33,660	122,346
2,330	3,430
<u>248,989</u>	<u>1,306,451</u>
-	184,820
<u>-</u>	<u>184,820</u>
-	939,573
-	639,289
-	800,000
15,254	15,254
-	2,668,803
<u>15,254</u>	<u>5,062,919</u>
<u>\$ 264,243</u>	<u>\$ 6,554,190</u>

EARLY INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2015

<b>Total Fund Balances - Governmental Funds</b>	\$	5,062,919
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase (decrease) net position.		106,272
2 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		5,851
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase (decrease) net position.		611,370
4 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(961,297)
5 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, a Deferred Resource Inflow related to TRS, and a Deferred Resource Outflow related to TRS. The net effect of these adjustments is to increase (decrease) net position.		(1,023,013)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(45,161)
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>3,756,941</b>

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

EARLY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE TEN MONTHS ENDED JUNE 30, 2015

Data Control Codes	10 General Fund	SSA Special Education	50 Debt Service Fund
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 3,309,423	\$ 9,730	\$ 625,196
5800 State Program Revenues	7,109,808	1,052,058	511,583
5900 Federal Program Revenues	22,125	118,012	-
5020 Total Revenues	<u>10,441,356</u>	<u>1,179,800</u>	<u>1,136,779</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	4,902,192	556,114	-
0012 Instructional Resources and Media Services	213,019	-	-
0013 Curriculum and Instructional Staff Development	44,336	9,126	-
0021 Instructional Leadership	80,986	195,348	-
0023 School Leadership	640,952	-	-
0031 Guidance, Counseling, and Evaluation Services	209,596	300,437	-
0033 Health Services	114,570	-	-
0034 Student (Pupil) Transportation	139,413	5,534	-
0035 Food Services	20,517	-	-
0036 Extracurricular Activities	613,290	-	-
0041 General Administration	341,994	20,165	-
0051 Facilities Maintenance and Operations	915,594	25,234	-
0052 Security and Monitoring Services	9,841	-	-
0053 Data Processing Services	146,732	-	-
<b>Debt Service:</b>			
0071 Principal on Long-Term Debt	-	-	560,000
0072 Interest on Long-Term Debt	-	-	433,226
0073 Bond Issuance Cost and Fees	-	-	2,204
<b>Intergovernmental:</b>			
0093 Payments to Fiscal Agent/Member Districts of SSA	362,779	13,715	-
6030 Total Expenditures	<u>8,755,811</u>	<u>1,125,673</u>	<u>995,430</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,685,545</u>	<u>54,127</u>	<u>141,349</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7915 Transfers In	-	-	-
8911 Transfers Out (Use)	(80,018)	-	-
7080 Total Other Financing Sources (Uses)	<u>(80,018)</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	1,605,527	54,127	141,349
0100 Fund Balance - September 1 (Beginning)	1,851,038	751,628	497,940
1300 Increase (Decrease) in Fund Balance	12,238	133,818	-
3000 Fund Balance - June 30 (Ending)	<u>\$ 3,468,803</u>	<u>\$ 939,573</u>	<u>\$ 639,289</u>

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

Other Funds	Total Governmental Funds
\$ 294,998	\$ 4,239,347
148,859	8,822,308
1,605,174	1,745,311
<u>2,049,031</u>	<u>14,806,966</u>
1,359,665	6,817,971
-	213,019
1,947	55,409
-	276,334
-	640,952
-	510,033
-	114,570
9,506	154,453
743,704	764,221
22,069	635,359
-	362,159
-	940,828
-	9,841
-	146,732
-	560,000
-	433,226
-	2,204
-	376,494
<u>2,136,891</u>	<u>13,013,805</u>
<u>(87,860)</u>	<u>1,793,161</u>
80,018	80,018
-	(80,018)
<u>80,018</u>	<u>-</u>
(7,842)	1,793,161
23,096	3,123,702
-	146,056
<u>\$ 15,254</u>	<u>\$ 5,062,919</u>

EARLY INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE TEN MONTHS ENDED JUNE 30, 2015

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	1,793,161
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds is reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.		26,716
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase (decrease) net position.		611,370
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(961,297)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of August 31, 2014, caused the change in the ending net position to increase. The District recorded its proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for fiscal year 2015 were for pension expense columns 6-12 from TRS data and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period. This caused a net decrease in the change in net position. The impact of all of these is to increase (decrease) net position.		92,252
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(186,109)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>1,376,093</b>

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

EARLY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Governmental Activities -
	Internal Service Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Temporary Investments	\$ 76,213
Due from Other Funds	<u>41,913</u>
Total Assets	<u>118,126</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accrued Expenses	<u>11,854</u>
Total Liabilities	<u>11,854</u>
<b>NET POSITION</b>	
Unrestricted Net Position	<u>106,272</u>
Total Net Position	<u><u>\$ 106,272</u></u>

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

EARLY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE TEN MONTHS ENDED JUNE 30, 2015

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 30,520
Total Operating Revenues	30,520
OPERATING EXPENSES:	
Professional and Contracted Services	4,038
Total Operating Expenses	4,038
Operating Income	26,482
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits and Investments	234
Total Nonoperating Revenues (Expenses)	234
Change in Net Position	26,716
Total Net Position - September 1 (Beginning)	71,104
Prior Period Adjustment	8,452
Total Net Position - June 30 (Ending)	\$ 106,272

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

EARLY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE TEN MONTHS ENDED JUNE 30, 2015

	Governmental Activities -
	Internal Service Fund
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 29,300
Cash Payments for Insurance Claims	(1,077)
Net Cash Provided by Operating Activities	<u>28,223</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>234</u>
Net Increase in Cash and Cash Equivalents	28,457
Cash and Cash Equivalents at Beginning of the Period	<u>47,756</u>
Cash and Cash Equivalents at End of the Period	<u>\$ 76,213</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 26,482
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Prior Period Adjustment	8,452
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Due from Other Funds	(1,220)
Increase (Decrease) in Accrued Expenses	<u>(5,491)</u>
Net Cash Provided by Operating Activities	<u>\$ 28,223</u>

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

EARLY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	Private Purpose Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and Temporary Investments	\$ -	\$ 74,195
Due from Other Funds	-	789
Other Receivables	-	11,000
Restricted Assets	252,486	-
Total Assets	<u>252,486</u>	<u>\$ 85,984</u>
<b>LIABILITIES</b>		
Accounts Payable	-	\$ 5,776
Due to Student Groups	-	80,208
Total Liabilities	<u>-</u>	<u>\$ 85,984</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>252,486</u>	
Total Net Position	<u>\$ 252,486</u>	

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

EARLY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
FIDUCIARY FUNDS  
FOR THE TEN MONTHS ENDED JUNE 30, 2015

	Private Purpose Trust Fund
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 117
Total Additions	<u>117</u>
DEDUCTIONS:	
Scholarships Paid	12,766
Supplies and Materials	2,966
Total Deductions	<u>15,732</u>
Change in Net Position	(15,615)
Total Net Position - September 1 (Beginning)	<u>268,101</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 252,486</u></u>

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

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements  
June 30, 2015

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Early Independent School District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America applicable to state and local governments. Additionally the District complies with the requirements of the Texas Education Agency's *Financial Accountability System Resource Guide* (the *Resource Guide*) and the requirements of contracts and grants of agencies from which it receives funds.

**A. Reporting Entity**

The District is governed by the Board of Trustees, a seven-member group, which is elected by the public and has governance responsibilities, including fiscal accountability, over all activities related to public elementary and secondary education within the jurisdiction of the Early Independent School District (the primary government). There are no component units included within the reporting entity.

Effective for fiscal year 2015, the District changed its year end from August 31 to June 30.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

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

Interfund activities between governmental funds and proprietary funds appear as due to/due froms on the governmental funds balance sheet and on the proprietary funds statement of net position and as other resources and other uses on the governmental funds statement of revenues, expenditures, and changes in fund balance and on the proprietary funds statement of revenues, expenses, and changes in fund net position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide statement of net position.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with a proprietary fund's ongoing operations. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included in the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, revenues received from the state, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received they are recorded as unearned revenue until related and authorized expenditures have been made.

The proprietary funds and fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the period in which they are incurred and become measurable.

The government reports the following major governmental funds:

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

Special Revenue Fund - SSA- Special Education Fund - This Fund accounts for the operation of a shared services arrangement for special education.

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

Additionally, the government reports the following fund types:

The Internal Service Fund accounts for the operations of a self-insured workers' compensation insurance program.

The Private Purpose Trust Fund accounts for resources used to provide scholarships for former students.

Agency Funds account for the activities of funds which are the property of student groups.

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D. Cash and Cash Equivalents - Proprietary Funds**

For purposes of the statement of cash flows for proprietary fund types, the District considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

**E. Interfund Receivables and Payables**

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

**F. Receivables and Payables**

Receivables are stated at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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.

There are no significant receivables which are not scheduled for collection within one year.

**G. Capital Assets**

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-40
Vehicles	5-10
Furniture and Equipment	5-10

**H. Restricted Assets**

Restricted assets consist of cash and certificates of deposit held to provide scholarships for former students.

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**I. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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.

In the fund financial statements, 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.

**J. Pensions**

In accordance with new accounting guidance prescribed by GASB Statement No. 68, the fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**K. Compensated Absences**

On retirement of certain employees, the District pays any accrued sick leave in a lump sum cash payment to such employee.

A liability for these amounts is reported in governmental funds only if they are payable as a result of employee resignations and retirements.

**L. Net Position on the Statement of Net Position**

Net position on the statement of net position includes the following:

Net Investment in Capital Assets (Deficit) - This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, which is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Federal and State Programs - This component of net position represents the balance of the Special Education SSA Cooperative.

Restricted for Debt Service - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted - This is the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources that is not reported as Net Investment in Capital Assets, Restricted for Federal and State Programs, or Restricted for Debt Service.

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**M. Fund Balances/Equity**

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Board of Trustees.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

Unrestricted net position for proprietary funds represents the net position available for future operations.

In the General Fund, the District strives to maintain a yearly fund balance in the general operating fund in which the total fund balance is three months of operating expenditures which includes unassigned fund balance of two months of operating expenditures.

**N. Property Tax Revenues**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The District recognizes as tax revenues those taxes that are measurable and available. Measurable means the amount can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within the current period.

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles are based upon historical experience. 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.

**O. Interfund Transfers**

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**P. Change in Year End**

In September 2014, the Board adopted a fiscal year end which begins July 1 of each calendar year, and the District has notified the Texas Education Agency (the "TEA") of its intent to change the fiscal year. Fiscal year 2014-15 began September 1, 2014, and ended June 30, 2015, with a ten-month reporting period.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budget**

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles.

The official school budget is prepared for adoption for required governmental fund types prior to June 20 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund, and the Food Service Special Revenue Fund. The remaining Special Revenue Funds and the Capital Projects Fund adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget was amended throughout the fiscal year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District 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, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District 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, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**A. Deposits and Investments - Continued**

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

**Custodial Credit Risk - Deposits and Investments:** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits and investments in certificates of deposit may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the District's name.

**Concentration of Credit Risk:** The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At June 30, 2015, all of the District's investments are in external investment pools.

**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 June 30, 2015, the District was not significantly exposed to credit risk.

**Interest Rate Risk:** 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:** Not applicable

The carrying amount of the District's cash and temporary investments at June 30, 2015, approximates fair value and consisted of the following:

Cash in Bank	\$ 575,308
TexPool	3,586,996
TexSTAR	<u>79,859</u>
Total Cash and Temporary Investments	<u>\$ 4,242,163</u>

The total above includes restricted assets in the amount of \$252,486 as shown in the fiduciary funds on Exhibit E-1.

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**B. 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 other governments are summarized as follows:

	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 2,228,506	\$ 0	\$ 38,357	\$ 2,266,863
Special Revenue Funds	28,795	219,974	0	248,769
Debt Service Fund	<u>0</u>	<u>0</u>	<u>7,940</u>	<u>7,940</u>
Totals	<u>\$ 2,257,301</u>	<u>\$ 219,974</u>	<u>\$ 46,297</u>	<u>\$ 2,523,572</u>

**C. Interfund Balances and Transfers**

1. The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Major Special Revenue Fund	\$ 6,529	\$ 0	Reimbursement
Internal Service Fund	<u>0</u>	<u>24,012</u>	Current Operations
	<u>\$ 6,529</u>	<u>\$ 24,012</u>	
Major Special Revenue Fund			
General Fund	\$ 0	\$ 6,529	Reimbursement
Internal Service Fund	<u>0</u>	<u>2,492</u>	Current Operations
	<u>\$ 0</u>	<u>\$ 9,021</u>	
Nonmajor Governmental Funds			
Internal Service Fund	\$ 0	\$ 15,409	Current Operations
Fiduciary Funds	<u>0</u>	<u>789</u>	Reimbursement
	<u>\$ 0</u>	<u>\$ 16,198</u>	
Internal Service Fund			
General Fund	\$ 24,012	\$ 0	Current Operations
Major Special Revenue Fund	2,492	0	Current Operations
Nonmajor Governmental Funds	<u>15,409</u>	<u>0</u>	Current Operations
	<u>\$ 41,913</u>	<u>\$ 0</u>	
Fiduciary Funds			
Nonmajor Governmental Funds	<u>\$ 789</u>	<u>\$ 0</u>	Reimbursement
Totals	<u>\$ 49,231</u>	<u>\$ 49,231</u>	

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**C. Interfund Balances and Transfers - Continued**

1. Continued

All amounts due are expected to be repaid within one year.

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental Funds	<u>\$ 80,018</u>	To Cover Fund Deficit

**D. Capital Assets**

Capital asset activity for the ten-month period ended June 30, 2015, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Capital Assets					
Land	\$ 325,937	\$ 0	\$ 0	\$ 0	\$ 325,937
Buildings and Improvements	35,200,304	10,914	0	0	35,211,218
Furniture and Equipment	2,938,878	52,180	54,942	0	2,936,116
Total Capital Assets	<u>\$ 38,465,119</u>	<u>\$ 63,094</u>	<u>\$ 54,942</u>	<u>\$ 0</u>	<u>\$ 38,473,271</u>
Less Accumulated Depreciation					
Buildings and Improvements	\$ (12,883,341)	\$ (880,930)	\$ 0	\$ 0	\$ (13,764,271)
Furniture and Equipment	(2,416,281)	(80,367)	(54,942)	0	(2,441,706)
Total Accumulated Depreciation	<u>\$ (15,299,622)</u>	<u>\$ (961,297)</u>	<u>\$ (54,942)</u>	<u>\$ 0</u>	<u>\$ (16,205,977)</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,165,497</u>	<u>\$ (898,203)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,267,294</u>

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**D. Capital Assets - Continued**

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 654,355
Instructional Resources and Media Services	20,516
Curriculum and Instructional Staff Development	35
Instructional Leadership	26,176
School Leadership	66,553
Guidance, Counseling, and Evaluation Services	52,166
Health Services	11,924
Student (Pupil) Transportation	8,651
Food Services	42,875
Extracurricular Activities	35,777
General Administration	14,856
Facilities Maintenance and Operations	16,102
Security and Monitoring Services	1,059
Data Processing Services	10,252
Total	\$ 961,297

**E. Deferred Outflows and Inflows of Resources**

The financial statements report separate sections for deferred outflows and inflows of resources. Deferred outflows represent an acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows represent an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The District has the following items that qualify for reporting in these categories:

Deferred Outflows (Statement of Net Position)

Deferred loss on bond refunding, which is amortized over the life of the refunding bonds.

District's proportionate share of Teacher Retirement System of Texas (TRS) deferred outflows as detailed in financial statement footnote IV., A.

Deferred Inflows (Statement of Net Position)

District's proportionate share of Teacher Retirement System of Texas (TRS) deferred inflows as detailed in financial statement footnote IV., A.

Deferred Inflows (Balance Sheet - Governmental Funds)

Unavailable revenue - property taxes.

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**F. Unearned Revenue**

Unearned revenue at year end consisted of the following:

	General Fund	Special Revenue Funds	Total
State Grants	\$ 0	\$ 2,330	\$ 2,330
Other	1,100	0	1,100
Totals	\$ 1,100	\$ 2,330	\$ 3,430

**G. Long-Term Debt**

The following is a summary of changes in long-term debt for the ten-month period ended June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 10,460,000	\$ 0	\$ 295,000	\$ 10,165,000	\$ 330,000
Unlimited Tax Refunding Bonds	10,814,995	0	265,000	10,549,995	270,000
Subtotal - Principal	\$ 21,274,995	\$ 0	\$ 560,000	\$ 20,714,995	\$ 600,000
Bond Premium - Series 2007	425,013	0	14,848	410,165	0
Bond Premium - Series 2009	60,480	0	3,087	57,393	0
Bond Premium - Series 2011	120,567	0	15,557	105,010	0
Bond Premium - Series 2014	1,190,439	0	53,744	1,136,695	0
CAB Accreted Interest - Series 2014	777,010	11,724	0	788,734	0
Totals	\$ 23,848,504	\$ 11,724	\$ 647,236	\$ 23,212,992	\$ 600,000

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**G. Long-Term Debt - Continued**

The District's outstanding bond issues are as follows:

Early Independent School District Unlimited Tax School Building Bonds, Series 2007. Issued for school building construction and improvements in the original amount of \$17,500,000. The issue consisted of \$17,290,000 of current interest bonds and \$210,000 of premium capital appreciation bonds. Due in variable installments through February 15, 2037, with interest rates of 4% to 5%.	\$ 8,290,000
Early Independent School District Unlimited Tax School Building Bonds, Series 2009. Issued for school building construction and improvements in the original amount of \$1,929,999. The issue consisted of \$1,875,000 of current interest bonds and \$54,999 of premium capital appreciation bonds. Due in variable installments through February 15, 2034, with interest rates of 4.25% to 5.125%.	1,875,000
Early Independent School District Unlimited Tax Refunding Bonds, Series 2011. Issued to currently refund \$2,825,400 of the Series 2005 bonds. Due in variable installments through February 15, 2021, with interest rates of 2% to 4%.	1,950,000
Early Independent School District Unlimited Tax Refunding Bonds, Series 2014. Issued to partially refund \$8,705,000 of the Series 2007 bonds. The issue consisted of \$8,565,000 of current interest bonds and \$139,995 of premium capital appreciation bonds. Due in variable installments through February 15, 2033, with interest rates of 1.48% to 4%.	<u>8,599,995</u>
Total Bonds Payable	<u><u>\$ 20,714,995</u></u>

The combined annual debt service requirements are as follows:

Year Ending June 30,	General Obligation Bonds		Unlimited Tax Refunding Bonds		Total
	Principal	Interest	Principal	Interest	
2016	\$ 330,000	\$ 462,003	\$ 270,000	\$ 387,350	\$ 1,449,353
2017	345,000	448,752	310,000	381,950	1,485,702
2018	355,000	434,902	325,000	372,650	1,487,552
2019	370,000	420,317	363,759	430,891	1,584,967
2020	385,000	405,036	372,220	424,030	1,586,286
2021-2025	2,165,000	1,699,569	1,349,016	2,480,534	7,694,119
2026-2030	660,000	1,402,569	4,450,000	1,155,450	7,668,019
2031-2035	3,005,000	1,164,794	3,110,000	252,200	7,531,994
2036-2037	2,550,000	178,294	0	0	2,728,294
Totals	<u><u>\$ 10,165,000</u></u>	<u><u>\$ 6,616,236</u></u>	<u><u>\$ 10,549,995</u></u>	<u><u>\$ 5,885,055</u></u>	<u><u>\$ 33,216,286</u></u>

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**H. Outstanding Encumbrances**

There were no outstanding encumbrances that were provided for in the subsequent year's budget.

**I. Revenues from Local and Intermediate Sources**

Local and intermediate source revenues consists of the following:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total</u>
Property Taxes	\$ 3,153,677	\$ 0	\$ 624,812	\$ 3,778,489
Services Rendered to Other School Districts	75,272	6,460	0	81,732
Other Local Sources	36,368	3,306	384	40,058
Cocurricular, Enterprising Services, or Activities	<u>44,106</u>	<u>294,962</u>	<u>0</u>	<u>339,068</u>
Totals	<u>\$ 3,309,423</u>	<u>\$ 304,728</u>	<u>\$ 625,196</u>	<u>\$ 4,239,347</u>

**J. General Fund Federal Source Revenues**

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
E-Rate School and Library Program	--	<u>\$ 22,125</u>

**IV. OTHER INFORMATION**

**A. Defined Benefit Pension Plan**

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

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

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**IV. OTHER INFORMATION** - Continued

**A. Defined Benefit Pension Plan** - Continued

**Pension Plan Fiduciary Net Position** - Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512)542-6592. The information provided in the notes the financial statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the pension plan fiduciary net position as of August 31, 2014:

Net Pension Liability	Total
Total Pension Liability	\$ 159,496,075,886
Less: Plan Fiduciary Net Position	<u>(132,779,243,085)</u>
Net Pension Liability	<u>\$ 26,716,832,801</u>
Net Position as Percentage of Total Pension Liability	83.25%

**Benefits Provided** - TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the 5 highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered; for those the 3 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 above.

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

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**IV. OTHER INFORMATION - Continued**

**A. 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 through 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the following employer contribution rates for fiscal years 2014 and 2015:

	Contribution Rates	
	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2014 Employer Contributions		\$ 93,427
District's 2014 Member Contributions		483,464
District's 2014 NECE On-Behalf Contributions		431,513

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

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources or a privately sponsored source.

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

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**IV. OTHER INFORMATION** - Continued

**A. Defined Benefit Pension Plan** - Continued

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

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

\* Includes Inflation of 3%

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

**Discount Rate** - The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2014, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
Global Equity			
U.S.	18.0%	7.0%	1.4%
Non-U.S. Developed	13.0%	7.3%	1.1%
Emerging Markets	9.0%	8.1%	0.9%
Directional Hedge Funds	4.0%	5.4%	0.2%
Private Equity	13.0%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11.0%	2.9%	0.3%
Absolute Return	0.0%	4.0%	0.0%
Stable Value Hedge Funds	4.0%	5.2%	0.2%
Cash	1.0%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	3.1%	0.0%
Real Assets	16.0%	7.3%	1.5%
Energy and Natural Resources	3.0%	8.8%	0.3%
Commodities	0.0%	3.4%	0.0%
Risk Parity			
Risk Parity	5.0%	8.9%	0.4%
Alpha			<u>1.0%</u>
Totals	<u>100.0%</u>		<u>8.7%</u>

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

**Discount Rate Sensitivity Analysis** - The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 net pension liability.

	<u>1% Decrease in Discount Rate (7%)</u>	<u>Discount Rate (8%)</u>	<u>1% Increase in Discount Rate (9%)</u>
District's Proportionate Share of the Net Pension Liability	<u>\$ 1,758,958</u>	<u>\$ 984,342</u>	<u>\$ 405,073</u>

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At August 31, 2014, the Early Independent School District reported a net pension liability of \$984,342 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 984,342
State's Proportionate Share that is Associated with the District	<u>4,556,064</u>
Total	<u>\$ 5,540,406</u>

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

At August 31, 2014, the employer's proportion of the collective net pension liability was 0.000036851%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The notes to the financial statements for August 31, 2014, for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

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

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, the Early Independent School District recognized pension expense of \$421,200 and revenue of \$421,200 for support provided by the State.

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 15,223	\$ -
Changes in Actuarial Assumptions	63,983	-
Difference Between Projected and Actual Investment Earnings	-	300,855
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	-	258
Contributions Paid to TRS Subsequent to the Measurement Date	<u>-</u>	<u>0</u>
Totals	<u>\$ 79,206</u>	<u>\$ 301,113</u>

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

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2015	\$ (61,895)
2016	(61,895)
2017	(61,895)
2018	(61,895)
2019	13,319
Thereafter	12,354

At June 30, 2015, the District reported deferred resource outflows and deferred resource inflows for the TRS pension plan as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Total Net Amounts as of August 31, 2014 Measurement Date	\$ 79,206	\$ 301,113
Contributions Made Subsequent to the Measurement Date	<u>183,236</u>	<u>-</u>
Reported by District as of June 30, 2015	<u>\$ 262,442</u>	<u>\$ 301,113</u>

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**IV. OTHER INFORMATION - Continued**

**B. Retiree Health Plan**

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

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

greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and contribution amounts for fiscal years 2015-2013 are shown in the table below:

Fiscal Year	Active Member		State On-Behalf		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2015	0.65%	\$ 41,132	1.0%	\$ 63,280	0.55%	\$ 34,804
2014	0.65%	49,102	1.0%	75,541	0.55%	41,548
2013	0.65%	50,509	0.5%	34,649	0.55%	46,943

The Medicare Modernization Act of 2003 which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for Texas Public School Retired Employee Group Insurance Program (TRS-Care), administered by TRS, to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Medicare Part D payments made on behalf of the District for fiscal years 2015-2013 are shown in the table below:

Fiscal Year	Medicare Part D
2015	\$ 30,979
2014	19,690
2013	20,390

**C. Health Care Coverage**

During the ten-month period ended June 30, 2015, employees of the District were covered by a health insurance plan (the Plan) through the TRS - Active Care Program administered by the Teacher Retirement System. The District contributed \$250 of the employee-only premium per month, and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Under the Plan, the District is not liable for costs incurred beyond the premiums paid.

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**IV. OTHER INFORMATION – Continued**

**D. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, for which the District participated in a public entity risk pool. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding coverage for each of the past three fiscal years.

**E. Property and Liability Coverage**

During the ten-month period ended June 30, 2015, the District participated in the Texas Association of Public Schools Property and Liability 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. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Fund. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves.

For the ten-month period ended June 30, 2015, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2014, are available at the TAPS' offices.

**F. Unemployment Compensation Coverage**

During the ten-month period ended June 30, 2015, the 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 obligation 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 the Unemployment Compensation pool. For the ten-month period ended June 30, 2015, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2014, are available on the TASB Risk Management Fund website.

**G. Workers' Compensation Insurance**

During the ten-month period ended June 30, 2015, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**IV. OTHER INFORMATION - Continued**

**G. Workers' Compensation Insurance - Continued**

the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, of the Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members injured employees.

The District participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims liability. As of June 30, 2015, the District's estimated aggregate loss liability is \$11,854.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2014, the Fund carries a discounted reserve of \$56,905,750 for future development on reported claims and claims that have been incurred but not yet reported. For the ten-month period ended June 30, 2015, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2014, are available on the TASB Risk Management Fund website.

**H. Contingencies**

The District participates in numerous state and federal 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 collectibility 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 combined financial statements for such contingencies.

**I. Shared Services Arrangement**

The Early Independent School District is the fiscal agent for a shared services arrangement which provides special education services to member districts, which are listed in the table below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. The District has accounted for the agent's activities of the shared services arrangement in Special Revenue Fund 437. Expenditures of the shared services arrangement are summarized as follows:

Bangs Independent School District	\$ 306,405
Blanket Independent School District	153,370
Brookesmith Independent School District	78,407
Early Independent School District	395,422
Santa Anna Independent School District	91,142
Zephyr Independent School District	<u>60,542</u>
Totals	<u><u>\$ 1,085,288</u></u>

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2015

**IV. OTHER INFORMATION - Continued**

**I. Shared Services Arrangement - Continued**

This shared services arrangement has accumulated financial resources in excess of three-month average operating expenditures and expects to utilize these excess resources for vehicle purchases, technology equipment, staff development, and other related specialized expenditures.

**J. Adjustments to Fund Balances/Net Position**

During fiscal year 2015, the District adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." With GASB 68, the District must assume its proportionate share of the net pension liability of the Teacher Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is \$1,115,265.

The fund balance of the General Fund was increased by \$12,238 as a result of the following adjustments:

Prior Year's Foundation Adjustment	\$ 10,248
Other Miscellaneous Adjustments	<u>1,990</u>
Total	<u><u>\$ 12,238</u></u>

The fund balance of the SSA - Special Education Fund was increased a net of \$133,818 to record amounts received for prior years' underpayment of SHARS revenue.

The net position of the Internal Service Fund was increased \$8,452 to record a decrease in the prior years' accrued expenses liability and to correct recording of the Internal Service Fund's activity.

The net position of the government-wide statements decreased by \$960,757 to reflect these prior period adjustments:

GASB 68	\$ (1,115,265)
General Fund	12,238
SSA - Special Education Fund	133,818
Internal Service Fund	<u>8,452</u>
Total	<u><u>\$ (960,757)</u></u>

**K. Subsequent Events**

The District's management has evaluated subsequent events through October 20, 2015, the date which the financial statements were available for issue.

Required Supplementary Information

EARLY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE TEN MONTHS ENDED JUNE 30, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 2,673,844	\$ 2,675,099	\$ 3,309,423	\$ 634,324
5800	State Program Revenues	6,997,531	6,997,531	7,109,808	112,277
5900	Federal Program Revenues	18,000	18,000	22,125	4,125
5020	Total Revenues	9,689,375	9,690,630	10,441,356	750,726
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	5,599,318	5,596,720	4,902,192	694,528
0012	Instructional Resources and Media Services	239,771	239,771	213,019	26,752
0013	Curriculum and Instructional Staff Development	66,991	66,591	44,336	22,255
0021	Instructional Leadership	100,554	100,554	80,986	19,568
0023	School Leadership	746,597	746,597	640,952	105,645
0031	Guidance, Counseling, and Evaluation Services	266,770	268,025	209,596	58,429
0033	Health Services	124,390	125,492	114,570	10,922
0034	Student (Pupil) Transportation	175,738	175,738	139,413	36,325
0035	Food Services	22,752	22,752	20,517	2,235
0036	Extracurricular Activities	631,025	631,025	613,290	17,735
0041	General Administration	373,284	373,284	341,994	31,290
0051	Facilities Maintenance and Operations	1,096,167	1,096,167	915,594	180,573
0052	Security and Monitoring Services	12,664	12,664	9,841	2,823
0053	Data Processing Services	145,835	150,835	146,732	4,103
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	385,000	385,000	362,779	22,221
6030	Total Expenditures	9,986,856	9,991,215	8,755,811	1,235,404
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(297,481)	(300,585)	1,685,545	1,986,130
<b>OTHER FINANCING SOURCES (USES):</b>					
8911	Transfers Out (Use)	(97,028)	(97,028)	(80,018)	17,010
1200	Net Change in Fund Balances	(394,509)	(397,613)	1,605,527	2,003,140
0100	Fund Balance - September 1 (Beginning)	1,851,038	1,851,038	1,851,038	-
1300	Increase (Decrease) in Fund Balance	-	-	12,238	12,238
3000	Fund Balance - June 30 (Ending)	\$ 1,456,529	\$ 1,453,425	\$ 3,468,803	\$ 2,015,378

EARLY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHERS RETIREMENT SYSTEM OF TEXAS  
 FOR THE TEN MONTHS ENDED JUNE 30, 2015

EXHIBIT F-2

	2015
District's Proportion of the Net Pension Liability (Asset)	0.000036851%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 984,342
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	4,556,064
Total	\$ 5,540,406
District's Covered-Employee Payroll	\$ 7,554,116
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	13.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: GASB 68, Paragraph 81,2,a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "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."

EARLY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
 TEACHERS RETIREMENT SYSTEM OF TEXAS  
 FOR FISCAL YEAR 2015

EXHIBIT F-3

	2015
Contractually Required Contribution	\$ 183,236
Contribution in Relation to the Contractually Required Contribution	(183,236)
Contribution Deficiency (Excess)	\$ -0-
District's Covered-Employee Payroll	\$ 6,328,009
Contributions as a Percentage of Covered-Employee Payroll	2.90%

Note: GASB 68, Paragraph 81,2,b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "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."

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
June 30, 2015

Note A - Net Pension Liability

Changes in Benefit Terms

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

Changes of Assumptions

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

Other Supplementary Information

EARLY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED JUNE 30, 2015

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.328000	0.027000	167,729,831
2008	1.040000	0.350000	189,066,887
2009	1.040000	0.359500	291,232,656
2010	1.040000	0.359500	234,041,408
2011	1.040000	0.359500	239,204,137
2012	1.040000	0.359500	242,650,425
2013	1.040000	0.359500	244,850,165
2014	1.040000	0.359500	260,229,221
2015 (School year under audit)	1.040000	0.229500	284,739,951
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2015
\$ 32,175	\$ -	\$ 293	\$ 14	\$ (391)	\$ 31,477
5,914	-	71	1	(2)	5,840
5,476	-	198	67	(6)	5,205
4,203	-	54	19	(6)	4,124
11,833	-	1,181	408	(2,205)	8,039
15,747	-	1,639	567	746	14,287
22,694	-	1,280	442	705	21,677
33,959	-	5,532	1,874	665	27,218
84,560	-	26,906	9,058	(1,691)	46,905
-	3,789,491	3,075,155	602,734	-	111,602
<u>\$ 216,561</u>	<u>\$ 3,789,491</u>	<u>\$ 3,112,309</u>	<u>\$ 615,184</u>	<u>\$ (2,185)</u>	<u>\$ 276,374</u>

EARLY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.328000	0.027000	167,729,831
2008	1.040000	0.350000	189,066,887
2009	1.040000	0.359500	291,232,656
2010	1.040000	0.359500	234,041,408
2011	1.040000	0.359500	239,204,137
2012	1.040000	0.359500	242,650,425
2013	1.040000	0.359500	244,850,165
2014	1.040000	0.359500	260,229,221
2015 (School year under audit)	1.040000	0.229500	284,739,951
1000 TOTALS			

Note - The District changed its fiscal year end from August 31 to June 30. In the first year of implementation, the District is required to include an additional schedule containing supplemental financial data reporting tax collections for the twelve-month period beginning September 1, 2014 and ending August 31, 2015.

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 32,175	\$ -	\$ 624	\$ 32	\$ (5,588)	\$ 25,931
5,914	-	796	16	(86)	5,016
5,476	-	754	254	(73)	4,395
4,203	-	628	217	(37)	3,321
11,833	-	2,526	873	(2,463)	5,971
15,747	-	2,510	868	(1,099)	11,270
22,694	-	4,583	1,357	(5,266)	11,488
33,959	-	8,783	2,854	(5,527)	16,795
84,560	-	33,145	11,202	(7,854)	32,359
-	3,789,491	3,108,115	609,164	(2,798)	69,414
<u>\$ 216,561</u>	<u>\$ 3,789,491</u>	<u>\$ 3,162,464</u>	<u>\$ 626,837</u>	<u>\$ (30,791)</u>	<u>\$ 185,960</u>

EARLY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE TEN MONTHS ENDED JUNE 30, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 295,989	\$ 280,771	\$ 280,771	\$ -
5800 State Program Revenues	4,000	3,341	3,341	-
5900 Federal Program Revenues	368,631	348,763	379,574	30,811
5020 Total Revenues	668,620	632,875	663,686	30,811
<b>EXPENDITURES:</b>				
0035 Food Services	765,648	765,648	743,704	21,944
6030 Total Expenditures	765,648	765,648	743,704	21,944
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(97,028)	(132,773)	(80,018)	52,755
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	97,028	97,028	80,018	(17,010)
1200 Net Change in Fund Balances	-	(35,745)	-	35,745
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ (35,745)	\$ -	\$ 35,745

EARLY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE TEN MONTHS ENDED JUNE 30, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 1,024,386	\$ 617,256	\$ 625,196	\$ 7,940
5800 State Program Revenues	502,916	511,583	511,583	-
5020 Total Revenues	1,527,302	1,128,839	1,136,779	7,940
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long-Term Debt	1,527,302	560,000	560,000	-
0072 Interest on Long-Term Debt	-	433,226	433,226	-
0073 Bond Issuance Cost and Fees	-	2,204	2,204	-
6030 Total Expenditures	1,527,302	995,430	995,430	-
1200 Net Change in Fund Balances	-	133,409	141,349	7,940
0100 Fund Balance - September 1 (Beginning)	497,940	497,940	497,940	-
3000 Fund Balance - June 30 (Ending)	\$ 497,940	\$ 631,349	\$ 639,289	\$ 7,940

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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INDEPENDENT AUDITOR'S 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*

Board of Trustees  
Early Independent School District  
P.O. Box 3315  
Early, TX 76803-3315

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 the Early Independent School District as of and for the ten-month period ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 20, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Early 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 the Early Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Early 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Eckert & Company, LLP*

October 20, 2015



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees  
Early Independent School District  
P.O. Box 3315  
Early, TX 76803-3315

**Report on Compliance for Each Major Federal Program**

We have audited the Early Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Early Independent School District's major federal programs for the ten-month period ended June 30, 2015. The Early Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Early Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Early Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion of Each Major Federal Program***

In our opinion, the Early Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the ten-month period ended June 30, 2015.

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

Management of the Early Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Early Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

### **Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Eckert & Company, LLP*

October 20, 2015

EARLY INDEPENDENT SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
Ten-Month Period Ended June 30, 2015

**A. Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Early Independent School District.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the 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*.
3. No instances of noncompliance material to the basic financial statements of the Early Independent School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Early Independent School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs for the Early Independent School District.
7. The program tested as a major program was:  

CFDA Number 84.287      Title IV, Part B - 21st Century Community Learning Centers
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Early Independent School District was determined to be a low-risk auditee.
10. Pass-Through Entity: Texas Education Agency

**B. Findings - Financial Statements Audit**

None

**C. Findings and Questioned Costs - Major Federal Award Programs Audit**

None

**D. Findings - State Compliance**

None

EARLY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TEN MONTHS ENDED JUNE 30, 2015

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101025909	\$ 150,959
*SSA - IDEA - Part B, Formula	84.027	156600010259096600	523,250
*SSA - IDEA - Part B, Preschool	84.173	156610010259096610	14,655
Total Special Education Cluster (IDEA)			537,905
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	146950217110002	506,883
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	15694501025909	29,853
Total Passed Through State Department of Education			\$ 1,225,600
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			\$ 1,225,600
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Direct Programs</u>			
Direct Certification Performance Awards	10.589	15-025909	\$ 584
Total Direct Programs			\$ 584
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	15-025909	\$ 68,277
*National School Lunch Program - Cash Assistance	10.555	15-025909	271,935
*National School Lunch Prog. - Non-Cash Assistance	10.555	15-025909	38,778
Total CFDA Number 10.555			310,713
Total Child Nutrition Cluster			378,990
Total Passed Through the State Department of Agriculture			\$ 378,990
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			\$ 379,574
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 1,605,174

\*Clustered Programs

E-Rate School and Library Program expenditures of \$22,125 are not included in the above figures.

School Health and Related Services (SHARS) Program expenditures of \$118,012 are not included in the above figures.

EARLY INDEPENDENT SCHOOL DISTRICT  
Notes to the Schedule of Expenditures of Federal Awards  
June 30, 2015

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Early Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# Eckert & Company

CERTIFIED PUBLIC ACCOUNTANTS

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Members of  
American Institute of CPAs  
Texas Society of CPAs

October 20, 2015

Board of Trustees  
Early Independent School District  
P.O. Box 3315  
Early, TX 76803-3315

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Early Independent School District for the ten-month period ended June 30, 2015, and have issued our report thereon dated October 20, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 24, 2015. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Section I. of the notes to the financial statements. The provisions of Governmental Accounting Standards Board Statement No. 68, "*Accounting and Financial Reporting for Pensions*," were adopted during the ten-month period ended June 30, 2015. The application of other existing policies was not changed. We noted no transactions entered into by the District during the period for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

The allowance for uncollectible taxes, which is based on historical experience, and the estimated useful lives of depreciable assets, which are based on projections of the productive lives of the assets. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 20, 2015.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the use of management and the Board of Trustees of the Early Independent School District and is not intended to be and should not be used by anyone other than these specified parties.

*Eckert & Company, LLP*

SCHOOLS FIRST QUESTIONNAIRE

EARLY INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2015

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	788734
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	984342
SF13	Pension Expense (6147) at fiscal year-end.	90984

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October 20, 2015

Board of Trustees and  
Wes Beck, Superintendent  
Early Independent School District  
P.O. Box 3315  
Early, TX 76803-3315

In planning and performing our audit of the basic financial statements of the Early Independent School District for the ten-month period ended June 30, 2015, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on internal control.

However, during our audit we became aware of the following matters that we wish to bring to your attention. This letter does not affect our report dated October 20, 2015, on the basic financial statements of the Early Independent School District.

#### Capital Assets

A fixed asset subsidiary ledger should be maintained to maximize the control of capital assets. This ledger, at a minimum, should provide for a complete description of all capital asset items to permit positive identification, cost and purchase data, and their locations. In addition, the physical inventory performed by RCI Technology should be reconciled to the subsidiary ledger.

#### Expenditure Documentation

During our testing of student activity fund transactions, it was noted that one expenditure lacked approval by the appropriate individual and was paid out of the wrong account. Another expenditure was paid out of the activity fund account, but should have been paid out of General Fund. Finally, one expenditure was paid using the wrong amount, and has been subsequently corrected and refunded by the vendor. Steps need to be implemented by the District's personnel to ensure that all required documentation related to activity funds is obtained, proper approval is obtained by the appropriate individual, and payments are made for the correct amount.

We appreciate the cooperation and assistance provided to us during the audit. Please contact us if you have any questions concerning the audit report or this letter or if you need our assistance during the year.

*Eckert & Company, LLP*