

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE**

**YEAR ENDED AUGUST 31, 2016**

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2016

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CERTIFICATE OF BOARD


Eagle Mountain-Saginaw Independent School District  
Name of School District

Tarrant  
County

220-918  
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved \_\_\_\_\_ disapproved for the year ended August 31, 2016, at a meeting of the Board of Trustees of such school district on the 17<sup>th</sup> day of January, 2017.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

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Members:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS  
TEXAS SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

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**HANKINS, EASTUP, DEATON,  
TONN & SEAY**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

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902 NORTH LOCUST  
P.O. BOX 977  
DENTON, TX 76202-0977  
TEL. (940) 387-8563  
FAX (940) 383-4746

Independent Auditor's Report

To the Board of Trustees  
Eagle Mountain-Saginaw Independent School District  
Fort Worth, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eagle Mountain-Saginaw Independent School District (the District), as of and for the year ended August 31, 2016, 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 Standard* 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, the business-type activities, each major fund, and the aggregate remaining fund information of Eagle Mountain-Saginaw Independent School District as of August 31, 2016, and the respective changes in financial position and cash flows and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 7 through 15 and the Teacher Retirement System schedules on pages 62 and 63 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 Eagle Mountain-Saginaw Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are 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 the Uniform Guidance, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2017 on our consideration of Eagle Mountain-Saginaw Independent School District's internal control over financial reporting and on our test 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 Eagle Mountain-Saginaw Independent School District's internal control over financial reporting and compliance.



Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

January 17, 2017

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2016  
(UNAUDITED)**

As management of Eagle Mountain-Saginaw Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2016. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 17.

**FINANCIAL HIGHLIGHTS**

- The liabilities and deferred inflows of Eagle Mountain-Saginaw Independent School District exceeded its assets and deferred outflows at the close of the most recent fiscal period by \$24,560,442 (net deficit position).
- The District's total net position increased by \$2,081,378 during the fiscal year from the results of current year operations.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$34,115,943. Over 70% of this total amount (\$23,891,753) is unassigned and available for use within the District's commitments and policies.
- At the end of the current fiscal period, the unassigned fund balance of the general fund of \$24,402,219 was 16.1% of the total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 17 through 19). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 20) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District. The District has no component units for which it is financially accountable.

The notes to the financial statements (starting on page 33) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.



The combining statements for nonmajor funds contain even more information about the District's individual funds. The section labeled Federal Awards Section contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

## **Reporting the District as a Whole**

### **The Statement of Net Position and the Statement of Activities**

The analysis of the District's overall financial condition and operations begins on page 17. Its primary purpose is to show whether the financial position of the District is improving or deteriorating as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows, deferred inflows and liabilities at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

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

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- Business-type activities—The District charges a fee to “customers” to help it cover all or most of the cost of services it provides in the childcare services program.

## **Reporting the District's Most Significant Funds**

### **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 fund financial statements begin on page 20 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

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 fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. 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 government'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*. The District maintains twenty-two governmental funds. 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, debt service fund, capital projects fund and food service fund, each of which are considered to be major funds. Data from the other eighteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 20 through 28 of this report.
- **Proprietary funds.** The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The District uses an enterprise fund to account for its childcare activities. The internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities. The District has no internal service funds.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. 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 District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position that can be found on page 32. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis presents both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Net position of the District's governmental activities increased from a \$26,658,206 deficit to a \$24,594,076 deficit. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$3,686,372 at August 31, 2016. The increase of \$2,064,130 in governmental activities net position from current operations was the result of several factors. First, the District's revenues exceeded expenditures by \$11,608,966 (as adjusted for the effects of capital outlay and debt service principal payments.) However, the District recorded depreciation expense, which is a non-cash expense that reduces the value of District assets, in the amount of \$16,957,993. In addition, various adjustments totaling \$7,413,157 were posted to revenues and expenses to account for prepaid expenses, interest accruals and tax revenues earned during the period under the full accrual method of accounting.

In 2016, net position of our business-type activities increased by \$17,248. This increase is relatively insignificant to the overall operations of the District, but it represents significant services to the community through the childcare services program.

**Table I**  
**NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Current and other assets	\$ 71,541,638	\$ 48,998,188	\$51,140	\$71,785	\$ 71,592,778	\$ 49,069,973
Capital assets	539,453,176	543,419,205	-	-	539,453,176	543,419,205
Total assets	610,994,814	592,417,393	51,140	71,785	611,045,954	592,489,178
Deferred outflows	29,139,822	51,708,363	-	-	29,139,822	51,708,363
Long-term liabilities	647,164,256	652,870,076	-	-	647,164,256	652,870,076
Other liabilities	13,901,722	13,174,795	34,754	38,151	13,936,476	13,212,946
Total liabilities	661,065,978	666,044,871	34,754	38,151	661,100,732	666,083,022
Deferred inflows	5,726,864	2,674,961	-	-	5,726,864	2,674,961
Net Position:						
Net investment in capital assets	(34,406,938)	(33,758,977)	-	-	(34,406,938)	(33,758,977)
Restricted	6,099,631	5,478,529	-	-	6,099,631	5,478,529
Unrestricted	1,649,101	3,686,372	16,386	33,634	1,665,487	3,720,006
Total net position (deficit)	(26,658,206)	(24,594,076)	16,386	33,634	(26,641,820)	(24,560,442)

The \$3,686,372 of unrestricted net position in the governmental activities represents resources available to fund the programs of the District next year.

**Table II**  
**CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$10,317,533	\$11,922,153	\$796,621	\$818,153	\$11,114,154	\$12,740,306
Operating grants and contributions	17,406,536	17,764,575	-	-	17,406,536	17,764,575
<b>General Revenues:</b>						
Maintenance and operations taxes	78,886,825	78,973,669	-	-	78,886,825	78,973,669
Debt service taxes	24,898,072	24,985,844	-	-	24,898,072	24,985,844
State aid - formula grants	60,558,516	64,213,106	-	-	60,558,516	64,213,106
Investment Earnings	82,371	228,250	-	-	82,371	228,250
Miscellaneous	211,606	155,912	-	-	211,606	155,912
<b>Total Revenue</b>	<b>192,361,459</b>	<b>198,243,509</b>	<b>796,621</b>	<b>818,153</b>	<b>193,158,080</b>	<b>199,061,662</b>
<b>Expenses:</b>						
Instruction, curriculum and media services	103,757,367	111,728,464	788,637	800,905	104,546,004	112,529,369
Instructional and school leadership	11,772,090	12,590,787	-	-	11,772,090	12,590,787
Student support services	13,563,971	14,455,142	-	-	13,563,971	14,455,142
Food Services	7,761,641	8,367,854	-	-	7,761,641	8,367,854
Extracurricular activities	6,971,196	7,302,237	-	-	6,971,196	7,302,237
General administration	5,016,220	5,679,562	-	-	5,016,220	5,679,562
Plant maintenance, security & data processing	21,012,818	21,804,340	-	-	21,012,818	21,804,340
Debt services	20,845,138	13,660,801	-	-	20,845,138	13,660,801
Intergovernmental charges	638,462	590,192	-	-	638,462	590,192
<b>Total Expenses</b>	<b>191,338,903</b>	<b>196,179,379</b>	<b>788,637</b>	<b>800,905</b>	<b>192,127,540</b>	<b>196,980,284</b>
Change in net position	1,022,556	2,064,130	7,984	17,248	1,030,540	2,081,378
Net Position – beginning of year	(6,469,586)	(26,658,206)	8,402	16,386	(6,461,184)	(26,641,820)
Prior period adjustment	(21,211,176)	-	-	-	(21,211,176)	-
<b>Net Position (deficit) – end of year</b>	<b>(26,658,206)</b>	<b>(24,594,076)</b>	<b>16,386</b>	<b>33,634</b>	<b>(26,641,820)</b>	<b>(24,560,442)</b>

The cost of all governmental activities for the current fiscal period was \$196,179,379. However, as shown in the Statement of Activities on pages 18 and 19, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$103,959,513 because some of the costs were paid by those who directly benefited from the programs (\$11,922,153) or by other governments and organizations that subsidized certain programs with grants and contributions (\$17,764,575) or by State equalization funding (\$64,213,106).

## THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$34,115,943 a decrease of \$21,483,546 from the previous year. Approximately 81.5 percent of this total amount (\$27,806,918) constitutes *committed, assigned and unassigned fund balance*. The remainder of fund balance is *nonspendable or restricted* to indicate that it is not available for new spending because it is already restricted to pay debt service (\$3,214,080) or food service (\$1,149,361), or already spent on inventories (\$342,680) or prepaid items (\$1,602,904).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$24,402,219, while the total fund balance was \$29,147,880. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 16.08 percent of the total general fund expenditures, while the total fund balance represents 19.21 percent of that same amount.

The fund balance of the District's general fund decreased by \$2,350,461 during the current fiscal year compared to a \$1,250,702 decrease in the prior year. Key factors related to this change are as follows:

- the District realized \$1,461,338 more property tax revenue in the current year compared to the prior year, as well as \$4,032,889 more state revenue. However, this was offset by an increase in total expenditures of \$8,872,258 or 6.21%.

The debt service fund has a total fund balance of \$3,214,080, all of which is reserved for the payment of debt service. The net decrease in fund balance during the period in the debt service fund of \$809,146 reflects a decrease in the transfer from the general fund toward debt service payments.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund decreased by \$18,511,983, due primarily to \$18,577,094 spent on construction-related costs during the year. Although capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and discussed in Note 4 to the financial statements.

Over the course of the year, the Board of Trustees revised the District's budget at times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August, 2015). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The principal amendment in this case was an increase in the anticipated amount of State funding to be received. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$29,147,880 reported on page 20 differs from the General Fund's budgetary fund balance of \$26,456,981 reported in the budgetary comparison schedule on page 28. This is principally due to cost savings in several functional expenditure categories, offset by lesser-than-expected state revenue.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At August 31, 2016, the District had \$543,419,205 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$3,966,029, or 0.7 percent, above last year.

This fiscal year's major additions included:

Continuing construction costs on a new elementary school	\$18,570,230
Continuing construction costs on bistros at two existing high schools	1,609,884
Network operation center equipment	361,036
Final network operation center construction costs	125,901
<b>Totaling</b>	<u><u>\$20,667,051</u></u>

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

### Debt Administration

At year-end, the District had \$616,927,691 in long-term debt (outstanding bonds plus accreted interest and premiums/discounts on bonds, maintenance tax notes and capital leases) versus \$628,443,075 last year—a decrease of \$11,515,384 or 1.8 percent. Debt issuances during the fiscal period include one refunding bond series, and a capital lease. The District's underlying rating for unlimited tax bonds is "AA-" by S&P, and "A+" by Fitch but is considered AAA as a result of guarantees of the Texas Permanent School Fund.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is \$676,384,876, which is in excess of the District's outstanding general obligation debt.

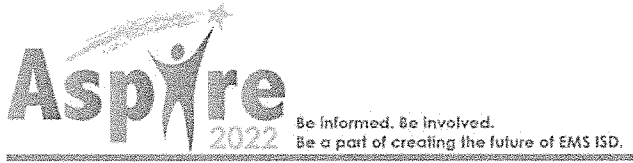
More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

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

In the 2015 legislative session, Eagle Mountain – Saginaw ISD led the effort to eliminate fractional funding which limited revenues to 86% of the basic allotment due to actions taken in 2005. The bill that resulted from the effort did not provide immediate funds for the District but it did eliminate a potential budget cut of more than \$5,000,000 in the 2017-2018 fiscal year. From a financial management standpoint, the elimination of this funding cliff provided the District with some flexibility as we address the needs of our community.

Through the recession and even with the reduced funding EMS has managed to maintain a healthy fund balance and our financial rating from Standard and Poor's and Fitch rating services has been elevated to AA-; one of the highest ratings of any school district in Texas.

The District has an overarching strategic plan – Aspire 2022. Budgets implications from this plan include:



Provide each teacher the resources and opportunities necessary to allow for the delivery of instructional programs

Establish and maintain competitive salaries for all employees with the goal of employing and retaining high performing, dynamic educators

Provide each student the resources and opportunities to meet their academic, social, emotional, and extracurricular needs

Integrate technology into the fabric of all we do

Maintain the financial integrity of the District through prudent management of the District resources

Preserve and protect the District's financial reserves to meet the future needs of our students

For the 2016-2017 fiscal year, the primary goals built into the budget were:

- To adopt a budget with a surplus sufficient to bring fund balance to the target goal of three months of operations in the next 3 to 5 years,
- Provide funding for several areas that had been significantly cut during the recession, including:
  - Capital maintenance
  - Salaries
  - Operational staffing – auxiliary personnel
  - Integration of technology
  - Campus and central office staffing
- Update the long-term forecasting model to ensure that the District take no action in the near term that will limit options in the future.

With respect to external factors that impact the operation of the District both now and into the future, the following factors have been evaluated:

- Growth – student population: The demographer's projections for the next ten years show strong growth with population increases in excess of 3% every year during this period.
- Growth – special populations: Special populations area increasing at a rate significantly higher than the overall population. These populations bring in additional revenue; however, they also demand additional resources to meet the needs of these students.
- Growth – TAV – new construction: Construction activity is increasing in the area. There is some commercial development as well as a significant increase in residential development. We anticipate the construction activity will continue into the foreseeable future.
- Growth – TAV – existing properties: Pent up demand as well as the increase in the local population is driving up the price of existing property. Home prices in Tarrant County increased more than 10% in 2016 and we expect similar increases in 2017 and 2018.
- Competition: The number of charter schools in the area is increasing, with a new charter school set to open in the heart of our District for the 2018-2019 school year. We must account for the impact of charter schools in many areas of our operations, the most prominent being teacher hirings and construction schedules.

- Cost of money: The District has a number of buildings that will need to be constructed over the next ten years. Those buildings will require a significant increase in the taxable assessed value of the District to meet the financial obligations. Current estimates project that the overall growth in taxable assessed values will need to average 5% for the next 12 years to meet the capital needs of the District.

Other factors that may impact the operations of the District include:

- A stable Board of Trustees with a proven record of prudent fiscal management.
- A stable leadership team with the core of the leadership team having been in place for more than five years.
- Potential legislation that will be considered in the 2017 legislative session. The District will monitor the filing and movement of bills and, when necessary provide information or testify on the bills. The District is currently working through the Coalition of Education Funding to bring Districts, from across the State of Texas, together to promote and support initiatives that are good for all Texas school children.

The current year budget and long range plans are built around the efficient and effective delivery of instruction to the students of our community. Our focus is the children. And we will do so in a prudent financial manner.

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

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for funds the District receives. If you have questions about this report or need additional financial information, contact the District's business office, at Eagle Mountain-Saginaw Independent School District, 1200 Old Decatur Road, Fort Worth, Texas 76179, (817) 232-0880.



**BASIC FINANCIAL STATEMENTS**

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes	1	2 Primary Government	3
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 40,635,101	\$ 71,785	\$ 40,706,886
1220 Property Taxes Receivable (Delinquent)	2,949,115	-	2,949,115
1230 Allowance for Uncollectible Taxes	(147,456)	-	(147,456)
1240 Due from Other Governments	3,582,331	-	3,582,331
1290 Other Receivables, net	33,513	-	33,513
1300 Inventories	342,680	-	342,680
1410 Prepayments	1,602,904	-	1,602,904
Capital Assets:			
1510 Land	34,474,808	-	34,474,808
1520 Buildings, Net	468,841,432	-	468,841,432
1530 Furniture and Equipment, Net	15,416,428	-	15,416,428
1580 Construction in Progress	24,686,537	-	24,686,537
1000 Total Assets	<u>592,417,393</u>	<u>71,785</u>	<u>592,489,178</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
1701 Deferred Charge for Refunding	35,340,624	-	35,340,624
1705 Deferred Outflow Related to TRS	16,367,739	-	16,367,739
1700 Total Deferred Outflows of Resources	<u>51,708,363</u>	<u>-</u>	<u>51,708,363</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	3,861,948	511	3,862,459
2150 Payroll Deductions & Withholdings	1,219,298	-	1,219,298
2160 Accrued Wages Payable	6,700,374	37,640	6,738,014
2180 Due to Other Governments	64,366	-	64,366
2200 Accrued Expenses	1,006,990	-	1,006,990
2300 Unearned Revenue	321,819	-	321,819
Noncurrent Liabilities			
2501 Due Within One Year	15,905,375	-	15,905,375
2502 Due in More Than One Year	601,022,316	-	601,022,316
2540 Net Pension Liability (District's Share)	35,942,385	-	35,942,385
2000 Total Liabilities	<u>666,044,871</u>	<u>38,151</u>	<u>666,083,022</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2605 Deferred Inflow Related to TRS	2,674,961	-	2,674,961
2600 Total Deferred Inflows of Resources	<u>2,674,961</u>	<u>-</u>	<u>2,674,961</u>
<b>NET POSITION</b>			
3200 Net Investment in Capital Assets	(33,758,977)	-	(33,758,977)
Restricted:			
3820 Restricted for Federal and State Programs	1,349,284	-	1,349,284
3850 Restricted for Debt Service	3,214,080	-	3,214,080
3870 Restricted for Campus Activities	915,165	-	915,165
3900 Unrestricted	3,686,372	33,634	3,720,006
3000 Total Net Position	<u>\$ (24,594,076)</u>	<u>\$ 33,634</u>	<u>\$ (24,560,442)</u>

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
11 Instruction	\$ 106,075,341	\$ 222,646	\$ 10,945,318
12 Instructional Resources and Media Services	2,515,158	-	258,480
13 Curriculum and Staff Development	3,137,965	-	376,190
21 Instructional Leadership	1,693,811	-	129,238
23 School Leadership	10,896,976	-	530,309
31 Guidance, Counseling and Evaluation Services	7,507,330	-	468,049
33 Health Services	2,069,702	2,175,993	91,411
34 Student (Pupil) Transportation	4,878,110	-	1,239,507
35 Food Services	8,367,854	7,922,190	-
36 Extracurricular Activities	7,302,237	481,542	549,392
41 General Administration	5,679,562	1,071,954	216,714
51 Facilities Maintenance and Operations	18,325,602	47,828	545,844
52 Security and Monitoring Services	922,555	-	11,300
53 Data Processing Services	2,431,346	-	97,452
61 Community Services	124,837	-	106,789
72 Debt Service - Interest on Long Term Debt	12,382,941	-	2,198,582
73 Debt Service - Bond Issuance Cost and Fees	1,277,860	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	21,801	-	-
99 Other Intergovernmental Charges	568,391	-	-
[TG] Total Governmental Activities:	<u>196,179,379</u>	<u>11,922,153</u>	<u>17,764,575</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>			
01 Employee Child Care	800,905	818,153	-
[TB] Total Business-Type Activities:	<u>800,905</u>	<u>818,153</u>	<u>-</u>
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 196,980,284</u>	<u>\$ 12,740,306</u>	<u>\$ 17,764,575</u>

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
NE	Net Position--Ending

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

Net (Expense) Revenue and  
Changes in Net Position

6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (94,907,377)	\$ -	\$ (94,907,377)
(2,256,678)	-	(2,256,678)
(2,761,775)	-	(2,761,775)
(1,564,573)	-	(1,564,573)
(10,366,667)	-	(10,366,667)
(7,039,281)	-	(7,039,281)
197,702	-	197,702
(3,638,603)	-	(3,638,603)
(445,664)	-	(445,664)
(6,271,303)	-	(6,271,303)
(4,390,894)	-	(4,390,894)
(17,731,930)	-	(17,731,930)
(911,255)	-	(911,255)
(2,333,894)	-	(2,333,894)
(18,048)	-	(18,048)
(10,184,359)	-	(10,184,359)
(1,277,860)	-	(1,277,860)
(21,801)	-	(21,801)
(568,391)	-	(568,391)
<u>(166,492,651)</u>	<u>-</u>	<u>(166,492,651)</u>
-	17,248	17,248
-	17,248	17,248
<u>(166,492,651)</u>	<u>17,248</u>	<u>(166,475,403)</u>
78,973,669	-	78,973,669
24,985,844	-	24,985,844
64,213,106	-	64,213,106
228,250	-	228,250
155,912	-	155,912
<u>168,556,781</u>	<u>-</u>	<u>168,556,781</u>
2,064,130	17,248	2,081,378
(26,658,206)	16,386	(26,641,820)
<u>\$ (24,594,076)</u>	<u>\$ 33,634</u>	<u>\$ (24,560,442)</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 33,953,187	\$ 3,129,997	\$ 769,743
1220 Property Taxes - Delinquent	2,228,503	720,612	-
1230 Allowance for Uncollectible Taxes (Credit)	(111,425)	(36,031)	-
1240 Receivables from Other Governments	2,415,563	-	-
1260 Due from Other Funds	718,050	113,944	-
1290 Other Receivables	12,853	-	-
1300 Inventories	155,903	-	-
1410 Prepayments	1,589,758	-	-
1000 Total Assets	<u>\$ 40,962,392</u>	<u>\$ 3,928,522</u>	<u>\$ 769,743</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 2,054,161	\$ -	\$ 1,280,209
2150 Payroll Deductions and Withholdings Payable	1,219,298	-	-
2160 Accrued Wages Payable	6,359,465	-	-
2170 Due to Other Funds	113,944	-	-
2180 Due to Other Governments	7,334	57,032	-
2200 Accrued Expenditures	25,070	-	-
2300 Unearned Revenues	3,280	-	-
2000 Total Liabilities	<u>9,782,552</u>	<u>57,032</u>	<u>1,280,209</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	2,031,960	657,410	-
2600 Total Deferred Inflows of Resources	<u>2,031,960</u>	<u>657,410</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	155,903	-	-
3430 Prepaid Items	1,589,758	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	3,214,080	-
Committed Fund Balance:			
3510 Construction	3,000,000	-	-
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	24,402,219	-	(510,466)
3000 Total Fund Balances	<u>29,147,880</u>	<u>3,214,080</u>	<u>(510,466)</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 40,962,392</u>	<u>\$ 3,928,522</u>	<u>\$ 769,743</u>

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

Child Nutrition Fund	Other Funds	Total Governmental Funds
\$ 1,726,577	\$ 1,055,597	\$ 40,635,101
-	-	2,949,115
-	-	(147,456)
182,270	984,498	3,582,331
-	-	831,994
-	20,660	33,513
186,777	-	342,680
13,146	-	1,602,904
<u>\$ 2,108,770</u>	<u>\$ 2,060,755</u>	<u>\$ 49,830,182</u>
\$ 386,259	\$ 141,319	\$ 3,861,948
-	-	1,219,298
150,455	190,454	6,700,374
-	718,050	831,994
-	-	64,366
-	-	25,070
222,772	95,767	321,819
<u>759,486</u>	<u>1,145,590</u>	<u>13,024,869</u>
-	-	2,689,370
<u>-</u>	<u>-</u>	<u>2,689,370</u>
186,777	-	342,680
13,146	-	1,602,904
1,149,361	-	1,149,361
-	-	3,214,080
-	-	3,000,000
-	915,165	915,165
-	-	23,891,753
<u>1,349,284</u>	<u>915,165</u>	<u>34,115,943</u>
<u>\$ 2,108,770</u>	<u>\$ 2,060,755</u>	<u>\$ 49,830,182</u>

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EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2016

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	34,115,943
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.		716,319,751
2 Accumulated depreciation has not been included in the governmental fund financial statements.		(172,900,546)
3 Bonds payable have not been included in the governmental fund financial statements.		(553,529,149)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$35,942,385, a Deferred Resource Inflow related to TRS in the amount of \$2,674,961 and a Deferred Resource Outflow related to TRS in the amount of \$16,367,739. This amounted to a decrease in Net Position in the amount of \$22,249,607.		(22,249,607)
5 Capital leases payable have not been included in the fund financial statements.		(993,183)
6 Maintenance tax notes payable have not been included in the fund financial statements.		(2,400,000)
7 Accreted interest for capital appreciation bonds have not been included in the governmental fund financial statements.		(4,408,885)
8 Unavailable revenue on property taxes in the fund financial statements was recorded as revenue in the district-wide financial statements.		2,689,370
9 Interest is accrued on outstanding debt in the district-wide financial statements, whereas in the fund financial statements, an interest expenditure is reported when due.		(981,920)
10 Loss on the refunding of bonds reported as net other financing uses on the fund financial statements is deferred in the district-wide financial statements.		35,340,624
11 Premium on the issuance of bonds reported as net other financing sources on the fund financial statements is capitalized in the district-wide financial statements.		(55,596,474)
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>(24,594,076)</b>

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



EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 81,005,571	\$ 25,323,739	\$ 65,111
5800 State Program Revenues	72,078,016	701,466	-
5900 Federal Program Revenues	3,368,326	1,497,116	-
5020 Total Revenues	<u>156,451,913</u>	<u>27,522,321</u>	<u>65,111</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	87,088,837	-	-
0012 Instructional Resources and Media Services	2,090,102	-	-
0013 Curriculum and Instructional Staff Development	2,558,258	-	-
0021 Instructional Leadership	1,409,264	-	-
0023 School Leadership	9,440,675	-	-
0031 Guidance, Counseling and Evaluation Services	6,323,507	-	-
0033 Health Services	1,799,178	-	-
0034 Student (Pupil) Transportation	4,878,110	-	-
0035 Food Services	181	-	-
0036 Extracurricular Activities	6,435,381	-	-
0041 General Administration	5,097,006	-	-
0051 Facilities Maintenance and Operations	17,063,301	-	-
0052 Security and Monitoring Services	884,641	-	-
0053 Data Processing Services	2,779,895	-	-
0061 Community Services	53,647	-	-
Debt Service:			
0071 Principal on Long Term Debt	1,552,133	11,793,938	-
0072 Interest on Long Term Debt	90,327	22,758,061	-
0073 Bond Issuance Cost and Fees	300	1,277,560	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	1,622,007	-	18,577,094
Intergovernmental:			
0095 Payments to Juvenile Justice Alternative Ed. Prg.	21,801	-	-
0099 Other Intergovernmental Charges	568,391	-	-
6030 Total Expenditures	<u>151,756,942</u>	<u>35,829,559</u>	<u>18,577,094</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,694,971</u>	<u>(8,307,238)</u>	<u>(18,511,983)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7911 Capital Related Debt Issued (Regular Bonds)	-	157,515,000	-
7912 Sale of Real and Personal Property	9,941	-	-
7913 Capital Leases	361,036	-	-
7915 Transfers In	-	6,500,000	-
7916 Premium or Discount on Issuance of Bonds	-	26,303,809	-
8911 Transfers Out (Use)	(6,500,000)	-	-
8949 Other (Uses)	(1,099,318)	(182,820,717)	-
7080 Total Other Financing Sources (Uses)	<u>(7,228,341)</u>	<u>7,498,092</u>	<u>-</u>
<b>EXTRAORDINARY ITEMS:</b>			
7919 Extraordinary Item - Resource	182,909	-	-
1200 Net Change in Fund Balances	<u>(2,350,461)</u>	<u>(809,146)</u>	<u>(18,511,983)</u>
0100 Fund Balance - September 1 (Beginning)	<u>31,498,341</u>	<u>4,023,226</u>	<u>18,001,517</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 29,147,880</u>	<u>\$ 3,214,080</u>	<u>\$ (510,466)</u>

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

	Child Nutrition Fund	Other Funds	Total Governmental Funds
\$	4,014,546	\$ 1,585,118	\$ 111,994,085
	41,830	907,337	73,728,649
	3,865,814	4,111,987	12,843,243
	7,922,190	6,604,442	198,565,977
	-	5,494,758	92,583,595
	-	160,698	2,250,800
	-	271,000	2,829,258
	-	66,408	1,475,672
	-	47,138	9,487,813
	-	163,886	6,487,393
	-	-	1,799,178
	-	-	4,878,110
	7,826,317	-	7,826,498
	-	249,916	6,685,297
	-	39	5,097,045
	-	-	17,063,301
	-	2,065	886,706
	-	-	2,779,895
	-	56,363	110,010
	-	-	13,346,071
	-	-	22,848,388
	-	-	1,277,860
	-	-	20,199,101
	-	-	21,801
	-	-	568,391
	7,826,317	6,512,271	220,502,183
	95,873	92,171	(21,936,206)
	-	-	157,515,000
	-	-	9,941
	-	-	361,036
	-	-	6,500,000
	-	-	26,303,809
	-	-	(6,500,000)
	-	-	(183,920,035)
	-	-	269,751
	-	-	182,909
	95,873	92,171	(21,483,546)
	1,253,411	822,994	55,599,489
\$	1,349,284	\$ 915,165	\$ 34,115,943

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2016

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ (21,483,546)
Current year capital outlays are expenditures in the governmental fund financial statements, but are shown as increase in capital assets in the government-wide financial statements.	20,924,022
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources.	(16,957,993)
Current year long-term debt principal payments on contractual obligations, are expenditures in the governmental fund financial statements, but are shown as reductions in long-term debt in the district-wide financial statements.	13,346,071
Current year decrease in the accretion on capital appreciation bonds is not reflected in the governmental fund financial statements, but is shown as decreases in accreted interest on the district-wide financial statements.	7,549,946
Interest is accrued on outstanding debt in the district-wide financial statements, whereas in the governmental fund financial statements an interest expenditure is reported when due. This amount represents the current year change in accrued interest.	(20,303)
Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements.	7,894,212
Amortization of deferred loss on bond refunding is not recognized in the governmental funds. The effect of recording current year amortization is to decrease net assets.	(4,958,408)
Current year issuances of bonds are shown as other resources in the fund financial statements, but are shown as increases in long-term debt in the government-wide financial statements.	(157,515,000)
Current year issuances of capital leases are shown as other resources in the fund financial statements but are shown as increases in long-term debt in the government-wide financial statements.	(361,036)
Payments to refund bonds payable are shown as other financing uses in the fund financial statements, but are shown as a reduction in long-term debt in the government-wide financial statements.	182,581,419
The premium on the current year issuance of bonds is recorded as an other resource in the fund financial statements, but is capitalized in the government-wide financial statements.	(26,303,809)
Revenue from property taxes is shown as unavailable in the governmental fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed net of an allowance for uncollectible accounts in the government-wide statements. This amount represents the current year change in unavailable property taxes.	(312,674)

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2016

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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 8/31/2015 caused the change in the ending net position to increase in the amount of \$3,333,475. Contributions were replaced with the District's pension expense for the year of \$5,652,246, which caused a decrease in the change in net position. The impact of all of these is to decrease the change in net position by \$2,318,771.	(2,318,771)
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**Change in Net Position of Governmental Activities**

	<u>\$ 2,064,130</u>
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The notes to the financial statements are an integral part of this statement.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT C-5

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	\$ 85,144,192	\$ 81,182,575	\$ 81,005,571	\$ (177,004)
5800	State Program Revenues	69,544,556	74,237,667	72,078,016	(2,159,651)
5900	Federal Program Revenues	2,451,724	3,391,724	3,368,326	(23,398)
5020	Total Revenues	<u>157,140,472</u>	<u>158,811,966</u>	<u>156,451,913</u>	<u>(2,360,053)</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	88,598,102	88,565,277	87,088,837	1,476,440
0012	Instructional Resources and Media Services	2,148,059	2,183,111	2,090,102	93,009
0013	Curriculum and Instructional Staff Development	2,538,054	2,727,084	2,558,258	168,826
0021	Instructional Leadership	1,544,829	1,554,532	1,409,264	145,268
0023	School Leadership	9,459,791	9,580,188	9,440,675	139,513
0031	Guidance, Counseling and Evaluation Services	6,371,827	6,465,317	6,323,507	141,810
0033	Health Services	1,793,703	1,876,973	1,799,178	77,795
0034	Student (Pupil) Transportation	5,278,591	5,278,591	4,878,110	400,481
0035	Food Services	10,500	11,700	181	11,519
0036	Extracurricular Activities	6,363,958	6,685,242	6,435,381	249,861
0041	General Administration	4,943,733	5,280,212	5,097,006	183,206
0051	Facilities Maintenance and Operations	18,017,289	18,156,450	17,063,301	1,093,149
0052	Security and Monitoring Services	968,171	992,922	884,641	108,281
0053	Data Processing Services	2,395,863	2,986,968	2,779,895	207,073
0061	Community Services	87,391	95,429	53,647	41,782
Debt Service:					
0071	Principal on Long Term Debt	619,616	1,552,307	1,552,133	174
0072	Interest on Long Term Debt	832,472	90,503	90,327	176
0073	Bond Issuance Cost and Fees	-	1,650	300	1,350
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	2,057,558	1,622,007	435,551
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	22,000	52,000	21,801	30,199
0099	Other Intergovernmental Charges	640,000	640,000	568,391	71,609
6030	Total Expenditures	<u>152,633,949</u>	<u>156,834,014</u>	<u>151,756,942</u>	<u>5,077,072</u>
1100	Excess of Revenues Over Expenditures	<u>4,506,523</u>	<u>1,977,952</u>	<u>4,694,971</u>	<u>2,717,019</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
7912	Sale of Real and Personal Property	30,000	30,000	9,941	(20,059)
7913	Capital Leases	-	361,037	361,036	(1)
8911	Transfers Out (Use)	(6,500,000)	(6,500,000)	(6,500,000)	-
8949	Other (Uses)	-	(1,160,849)	(1,099,318)	61,531
7080	Total Other Financing Sources (Uses)	<u>(6,470,000)</u>	<u>(7,269,812)</u>	<u>(7,228,341)</u>	<u>41,471</u>
<b>EXTRAORDINARY ITEMS:</b>					
7919	Extraordinary Item - Resource	-	250,500	182,909	(67,591)
1200	Net Change in Fund Balances	(1,963,477)	(5,041,360)	(2,350,461)	2,690,899
0100	Fund Balance - September 1 (Beginning)	31,498,341	31,498,341	31,498,341	-
3000	Fund Balance - August 31 (Ending)	<u>\$ 29,534,864</u>	<u>\$ 26,456,981</u>	<u>\$ 29,147,880</u>	<u>\$ 2,690,899</u>

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2016

	Business-Type Activities
	Total Enterprise Funds
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 71,785
Total Assets	71,785
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	511
Accrued Wages Payable	37,640
Total Liabilities	38,151
<b>NET POSITION</b>	
Unrestricted Net Position	33,634
Total Net Position	\$ 33,634

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

	Business-Type Activities
	Total Enterprise Funds
<b>OPERATING REVENUES:</b>	
Local and Intermediate Sources	\$ 818,153
Total Operating Revenues	<u>818,153</u>
<b>OPERATING EXPENSES:</b>	
Payroll Costs	731,404
Professional and Contracted Services	6,358
Supplies and Materials	7,718
Other Operating Costs	55,425
Total Operating Expenses	<u>800,905</u>
Operating Income	17,248
Total Net Position - September 1 (Beginning)	<u>16,386</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 33,634</u></u>

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 818,153
Cash Payments for Payroll Costs	(728,477)
Cash Payments for Purchased Services	(6,358)
Cash Payments for Supplies and Materials	(7,248)
Cash Payments for Other Expenses	(55,425)
Net Cash Provided by Operating Activities	<u>20,645</u>
Net Increase in Cash and Cash Equivalents	20,645
Cash and Cash Equivalents at Beginning of Year	<u>51,140</u>
Cash and Cash Equivalents at End of Year	<u>\$ 71,785</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	\$ 17,248
Operating Income:	
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	470
Increase (decrease) in Accrued Wages Payable	<u>2,927</u>
Net Cash Provided by Operating Activities	<u>\$ 20,645</u>

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



EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2016

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	Agency Funds
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ASSETS	
Cash and Cash Equivalents	\$ 356,210
Total Assets	<u>\$ 356,210</u>
LIABILITIES	
Due to Student Groups	\$ 356,210
Total Liabilities	<u>\$ 356,210</u>

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Eagle Mountain-Saginaw Independent School District's (the "District") combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's (TEA) Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

**A. REPORTING ENTITY**

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees are elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the district. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basis financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, the Eagle Mountain-Saginaw Independent School District has no component units.

**B. BASIS OF PRESENTATION**

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 District. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements, except that interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2016

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. 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.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.
4. **Special Revenue Fund-National Breakfast and Lunch Program** - This fund is established to account for resources financing the child nutrition program of the District. Federal reimbursement revenues originating from the US Department of Agriculture, as well as user fees, are expended for program operations with any unused balances legally restricted for use in the program.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Permanent Fund** - The District utilizes a permanent fund to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes to support the District's programs. The District has no permanent funds.
3. **Enterprise Fund** - The District utilizes enterprise funds to account for the Districts' activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities. The District uses this fund to account for its employee childcare services, because this program is self-supporting and does not require subsidies from the general fund.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2016

4. **Internal Service Funds** – The District utilizes Internal Service Funds to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. These funds facilitate distribution of support costs to the users of support services. The District has no internal service funds.
5. **Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District has no private purpose trust funds.
6. **Agency Funds** - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

Activities accounted for in the Special Revenue Funds are:

ESEA I, A Improving Basic Programs - funds granted to serve students needing reading and math assistance  
IDEA-Part B Formula - funds granted for children with disabilities  
IDEA-Part B Preschool - funds granted for preschool children with disabilities  
National Breakfast and Lunch Program - funds granted to serve meals to disadvantaged children  
Career and Technical - funds granted for vocational program for students  
ESEA II, A Training and Recruiting - funds for training to improve teacher and principal quality  
Title III, A English Lang. Acquisition - funds to improve the education of limited English proficient children  
Medicaid Admin Claim (MAC) - fund for administrative costs related to Medicaid services  
Summer School LEP - funds for summer education of limited English proficient students  
Visually Impaired - funds granted for visually impaired students  
Advanced Placement Incentives - funds granted under the Texas Advanced Placement Award incentive program  
Pre-K Grant - funds granted for preschool programs  
State Textbook Fund - funds granted for textbook and technology needs  
Campus Activity Funds - accounts for funds raised by a campus for the benefit of that campus  
United Way - accounts for the use of a grant received by the District for a specific purpose  
Lions Club Foundation - accounts for the use of a grant received by the District for a specific purpose  
Cargill Donation Fund - accounts for the use of a donation received by the District for a specific purpose  
Gen Youth Foundation - funds granted to promote healthier eating and nutrition by students  
Meadows Foundation - accounts for the use of a donation received by the District for a specific purpose  
Dairy Max Foundation - accounts for the use of a donation received by the District for a specific purpose  
Microsoft Grant - accounts for the use of a donation received by the District for a specific purpose

The enterprise fund and internal service funds are proprietary fund types. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2016

**C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

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

The government-wide statements and fund financial statements for proprietary are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows of resources and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred. Agency funds have no measurement focus.

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

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.

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, and funds expended but not yet received are shown as receivables.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first when appropriate, then unrestricted resources as they are needed.

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pool are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2016

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

**D. BUDGETARY CONTROL**

The Board adopts an “appropriated budget” on a basis consistent with GAAP for the general fund, debt service fund and food service fund (which is included in the enterprise fund). At a minimum, the District is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these three funds. The special revenue funds and the capital project fund adopt project-length budgets which do not correspond to the District’s fiscal year.

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

- Prior to August 20<sup>th</sup> the District prepares a budget based on the modified zero-based budgeting concept for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- After one of more budget workshops with the Board, a meeting is called for the purpose of adopting the proposed budget. At least ten days but not more than 30 days public notice of the meeting is required.
- Prior to September 1<sup>st</sup> the Board legally adopts the budget for the general fund, debt service fund and food service fund.
- After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund or functional spending category or total revenue or other resources object category requires Board approval prior to the fact. These amendments are presented to the Board at its regular monthly meeting and are reflected in the official minutes. Because the District has a policy of careful budgetary control, several budgetary amendments were necessary throughout the year.
- Expenditure budgets are controlled at the expenditure functional and object level by the appropriate budget manager (principal, department director or divisional administrator). Budget managers may authorize transfers within functional and organizational categories that do not affect the total functional and organizational appropriation. All budget appropriations lapse at year-end.

Over the course of the year, the Board of Trustees revised the District’s budget at times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August, 2015). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The principal amendment in this case was an increase in the anticipated amount of State funding to be received. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2016

**E. ENCUMBRANCE ACCOUNTING**

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

**F. CASH AND TEMPORARY INVESTMENTS**

The cash portion of this caption in the accompanying fund financial statements is comprised of demand accounts, imprest funds and money market savings accounts. The District maintains a demand account on an imprest basis through which most obligations are paid. Checking account balances for most government fund expenditures are pooled into one demand account.

The temporary investments portion of this caption is comprised of investments in state investment pools. All daily receipts are deposited to demand accounts until the funds are invested under the terms of the District's depository contract.

The District has no investments at year-end that require adjustment to fair value.

**G. PREPAID ITEMS**

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year, and prepaid items have been shown as nonspendable fund balance to signify that a portion of fund balance is not available for other subsequent expenditures.

**H. INVENTORIES**

The consumption method is used to account for inventories of food products, school supplies and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories have been shown as nonspendable fund balance to indicate that they are unavailable as current expendable financial resources.

Inventories of food commodities used in the food service program are recorded at fair market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount. Commodities on hand at August 31, 2016 totaled \$7,347.

**I. INTERFUND RECEIVABLES AND PAYABLES**

During the course of normal operations, the District has numerous transactions between funds: The most significant are:

- (A) Inventory is maintained in the General Fund but available for consumption by all funds on a cost reimbursement basis, and
- (B) Short-term interfund loans, due to the fact that checking account balances for most governmental funds are pooled into one demand account.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2016

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**J. CAPITAL ASSETS**

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	50 Years
Furniture and Equipment	5-10 Years

**K. COMPENSATED ABSENCES**

It is the District's policy that after 5 years a terminating employee will be compensated for unused local leave, up to a certain maximum number of days. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Vacations are to be taken within the same year they are earned, and any unused days at the end of the calendar year are forfeited. Therefore, no liability for unused vacation leave has been accrued in the accompanying financial statements.

**L. CASH EQUIVALENTS**

For purposes of the statement of cash flows, the Childcare Services Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**M. NET POSITION**

Net position represents the difference between assets, deferred outflows of resources, deferred inflows of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.



EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2016

**N. LONG-TERM OBLIGATIONS**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For the governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

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

**O. 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. During fiscal 2016, the District purchased commercial insurance to cover general liabilities and property damage, and retained some risk through the establishment of deductibles on policies. There were no significant reductions in coverage in the past fiscal year.

**P. SUBSEQUENT EVENTS**

Management has reviewed events subsequent to August 31, 2016 through January 17, 2017, which is the date the financial statements were available to be issued. No subsequent events were identified that are required to be disclosed in the financial statements.

**Q. ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**R. DATA CONTROL CODES**

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (the "Agency") in their Resource Guide. The Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2016

**NOTE 2. FUND BALANCE**

The District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" in a prior year. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items and inventories as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law. Food service resources are to be used in the food service program.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of August 31, 2016 for construction and for campus activities.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has no assigned fund balance at August 31, 2016.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is 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.

During the current fiscal period, the Board of Trustees adopted a fund balance policy that expresses an intent to maintain a level of assigned and unassigned fund balance in the general fund equal to 25 percent of the fund's operating expenditures.

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Beginning fund balances for the District's governmental funds have been restated to reflect the above classifications. The details of the fund balances are included in the Governmental Funds Balance Sheet (pages 20 and 21) and are described below:

**General Fund**

The General Fund has unassigned fund balance of \$24,402,219 at August 31, 2016. Prepaid expenditures (prepaid items) of \$1,589,758 and inventories of \$155,903 are considered nonspendable fund balance. The District has committed general fund fund balance resources of \$3,000,000 for construction as of August 31, 2016.

**Other Major Funds**

The Debt Service Fund has restricted funds of \$3,214,080 at August 31, 2016 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. \$1,149,361 of the fund balance of the Food Service Fund (a special revenue fund) is shown as restricted for that purpose. The remainder of the Food Service Fund is shown as nonspendable fund balance because it has already been spent on inventories (\$186,777) or prepaid expenditures (\$13,146). The Capital Projects Fund shows a negative unassigned fund balance of \$510,466 at August 31, 2016, due to the accrual of retainage owed at August 31, 2016 on ongoing construction contracts.

**Other Funds**

The fund balance of \$915,165 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities.

**NOTE 3. DEPOSITS AND INVESTMENTS**

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

1. Cash Deposits:

At August 31, 2016, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$11,891,310 and the bank balance was \$14,249,207. The District's cash deposits at August 31, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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2. 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, (9) and 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, (10) and 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.

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

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. As of August 31, 2016, the District’s cash balances totaled \$14,249,207. This entire amount was either collateralized with a surety bond held by the District’s financial institution’s agent in the District’s name or covered by FDIC insurance. Thus, the District’s deposits are not exposed to custodial credit risk.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At August 31, 2016, the District held all of its investments in three public funds investment pools (Lone Star, TexPool and TexTerm). Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk - This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year-end was AAAM (Standard & Poor’s), and the credit quality rating for Lone Star and TexTerm was AAAf (Standard & Poor’s).
- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexPool, TexTerm and Lone Star investments is less than 60 days.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2016, the District was not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District’s investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

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Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District’s investments in Pools are reported at an amount determined by the fair value per share of the pool’s underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

The District’s investments at August 31, 2016, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
TexPool	\$ 5,492,008	\$ 5,492,008
Lone Star	10,503,120	10,503,120
TexTerm	<u>13,113,877</u>	<u>13,113,877</u>
Total	<u>\$29,109,005</u>	<u>\$29,109,005</u>

**Fair Value Measurements**

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District’s assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

The District’s investment in Texpool, TexTerm and Lone Star (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost.

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**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2016, was as follows:

	<u>Balance</u> <u>September 1</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirement/</u> <u>Adjustments</u>	<u>Balance</u> <u>August 31</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 34,474,808	\$ -	\$ -	\$ 34,474,808
Construction in Progress	<u>5,023,833</u>	<u>20,312,880</u>	<u>(650,176)</u>	<u>24,686,537</u>
Total capital assets, not being depreciated	<u>39,498,641</u>	<u>20,312,880</u>	<u>(650,176)</u>	<u>59,161,345</u>
Capital assets, being depreciated:				
Buildings and Improvements	606,290,890	-	-	606,290,890
Furniture and Equipment	<u>49,606,198</u>	<u>1,261,318</u>	<u>-</u>	<u>50,867,516</u>
Total capital assets, being depreciated	<u>655,897,088</u>	<u>1,261,318</u>	<u>-</u>	<u>657,158,406</u>
Less accumulated depreciation for:				
Buildings and Improvements	(126,032,253)	(11,417,205)	-	(137,449,458)
Furniture and Equipment	<u>(29,910,300)</u>	<u>(5,540,788)</u>	<u>-</u>	<u>(35,451,088)</u>
Total accumulated depreciation	<u>(155,942,553)</u>	<u>(16,957,993)</u>	<u>-</u>	<u>(172,900,546)</u>
Total capital assets being depreciated, net	<u>499,954,535</u>	<u>(15,696,675)</u>	<u>-</u>	<u>484,257,860</u>
Governmental activities capital assets, net	<u>\$ 539,453,176</u>	<u>\$ 4,616,205</u>	<u>\$(650,176)</u>	<u>\$ 543,419,205</u>

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

Governmental activities:	
Instruction	\$11,290,918
Instructional Resources & Media Services	225,097
Curriculum & Instructional Staff Development	258,788
Instructional Leadership	177,505
School Leadership	1,183,868
Guidance, Counseling & Evaluation Services	849,610
Health Services	227,137
Food Services	436,756
Cocurricular/Extracurricular Activities	549,295
General Administration	489,323
Plant Maintenance and Operations	1,042,886
Data Processing Services	192,836
Security & Monitoring Services	<u>33,974</u>
Total depreciation expense-Governmental activities	<u>\$16,957,993</u>

Land and construction in progress are not depreciated.

**NOTE 5. LONG-TERM DEBT**

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

Long-term debt of the District consists of eighteen series of general obligation bonds, maintenance tax notes, a capital lease, accreted interest on capital appreciation bonds and premiums/discounts on bond issuances. All long-term debt represents transactions in the District's governmental activities. No long-term debt exists in the District's business-type activities.

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The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2016:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amount Original Issue</u>	<u>Amounts Outstanding 9/1/15</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 8/31/16</u>	<u>Due Within One Year</u>
Bonded Indebtedness:							
2002A Bldg/Refunding	2.74-5.77%	75,445,000	\$ 973,938	\$ -	\$ 973,938	\$ -	\$ -
2006A Building	4.00-5.00%	68,500,000	22,745,000	-	22,745,000	-	-
2006B Refunding	3.68-4.45%	76,424,511	76,140,000	-	76,140,000	-	-
2007 Building	4.25-5.00%	90,550,000	36,875,000	-	34,440,000	2,435,000	2,435,000
2008 Building	3.25-5.41%	97,450,000	92,335,000	-	37,915,000	54,420,000	500,000
2010A Building	4.783%	12,445,000	12,445,000	-	-	12,445,000	-
2010B Building	3.31-4.83%	12,699,503	12,699,503	-	-	12,699,503	-
2010C Building	4.933-5.033%	54,855,000	54,855,000	-	-	54,855,000	-
2010D Refunding	1.66-3.30%	6,100,000	4,525,000	-	1,105,000	3,420,000	1,055,000
2011 Building	Variable	55,000,000	54,225,000	-	-	54,225,000	-
2011 Refunding	2.00-4.00%	6,560,000	4,510,000	-	715,000	3,795,000	655,000
2012A Refunding	1.25-4.00%	9,149,646	9,149,646	-	40,000	9,109,646	150,000
2012B Building	4.00%	10,000,000	10,000,000	-	-	10,000,000	-
2013A Refunding	2.00-5.00%	53,800,000	53,800,000	-	1,890,000	51,910,000	1,900,000
2013B Refunding	0.92-3.50%	8,605,000	8,505,000	-	380,000	8,125,000	390,000
2014A Refunding	2.00-5.00%	17,055,000	16,420,000	-	-	16,420,000	1,455,000
2014B Refunding	2.00-3.75%	3,635,000	3,610,000	-	130,000	3,480,000	115,000
2015 Refunding	1.31-5.00%	64,660,000	64,090,000	-	115,000	63,975,000	115,000
2015A Building	3.50-5.00%	25,605,000	25,605,000	-	-	25,605,000	-
2015B Refunding	2.00-5.00%	11,205,000	11,205,000	-	2,110,000	9,095,000	2,230,000
2016 Refunding	2.25-5.00%	157,515,000	-	157,515,000	-	157,515,000	-
<b>Total Bonded Indebtedness</b>			<u>574,713,087</u>	<u>157,515,000</u>	<u>178,698,938</u>	<u>553,529,149</u>	<u>11,000,000</u>
Capital Leases	2.553%	1,066,455	1,409,280	361,036	777,133	993,183	593,391
Maintenance Tax Notes	1.60%	3,175,000	3,175,000	-	775,000	2,400,000	787,000
Premiums/Discounts on Bond Issuance			37,186,877	26,303,809	7,894,212	55,596,474	3,084,984
Accreted Interest			11,958,831	1,230,088	8,780,034	4,408,885	440,000
<b>Total Other Obligations</b>			<u>53,729,988</u>	<u>27,894,933</u>	<u>18,226,379</u>	<u>63,398,542</u>	<u>4,905,375</u>
<b>Total Obligations of District</b>			<u>\$628,443,075</u>	<u>\$185,409,933</u>	<u>\$196,925,317</u>	<u>\$616,927,691</u>	<u>\$15,905,375</u>

The District issues general obligation bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Current principal and interest requirements are payable solely from future revenues of the Debt Service Fund which consists principally of property taxes collected by the District and interest earnings. Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indentures. The District has never defaulted on any principal or interest payment.

The District will pay a 2.00% interest rate on the Series 2011 variable rate bonds until July 31, 2019. For purposes of the debt service requirements disclosed in Note 8, a 5.00% interest rate is assumed thereafter.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2016.

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**NOTE 6. DEBT SERVICE REQUIREMENTS - MAINTENANCE TAX NOTES**

Debt service requirements to maturity for the maintenance tax notes are as follows:

Year Ended <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 787,000	\$ 38,400	\$ 825,400
2018	800,000	25,808	825,808
2019	<u>813,000</u>	<u>13,008</u>	<u>826,008</u>
	<u>\$2,400,000</u>	<u>\$ 77,216</u>	<u>\$2,477,216</u>

**NOTE 7. CAPITAL LEASES**

In May, 2014 the District entered into a capital lease agreement through Cisco Capital Financing for the purchase and installation of \$1,066,455 wireless network access points and network switches. The lease calls for three equal annual payments (including an effective interest rate of 2.553%) and a \$1 buyout at the end of the lease. Payments on the capital lease agreement are accounted for as debt service expenditures in the General Fund.

In August, 2015 the District entered into a capital lease agreement with Dell Financial Services for the purchase of \$718,575 Optiplex computers. The lease calls for four equal annual payments (including an effective interest rate of 4.15%). Payments on the capital lease agreement are accounted for as debt service expenditures in the General Fund.

In November, 2015 the District entered into a capital lease agreement with Dell Financial Services for the purchase of \$361,036 network equipment for the network operations center. The lease calls for five equal annual payments (including an effective interest rate of 3.164%). Payments on the capital lease agreement are accounted for as debt service expenditures in the General Fund.

A summary of capital lease activity during the year is as follows:

	Amount Outstanding <u>8/31/15</u>	<u>Additions</u>	<u>Retirements</u>	Amount Outstanding <u>8/31/16</u>
Network equipment	\$ 690,705	\$ -	\$340,949	\$349,756
Computers	718,575	-	359,410	359,165
Network equipment	<u>-</u>	<u>361,036</u>	<u>76,774</u>	<u>284,262</u>
	<u>\$1,409,280</u>	<u>\$361,036</u>	<u>\$777,133</u>	<u>\$993,183</u>

Future minimum lease payments due on the capital leases are as follows:

Year Ending <u>August 31</u>	Annual Lease <u>Payment</u>
2017	\$ 626,286
2018	267,495
2019	76,774
2020	<u>76,774</u>
Total Lease Payments	1,047,329
Imputed Interest Amount	<u>(54,146)</u>
Present Value Outstanding	<u>\$ 993,183</u>



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**NOTE 8. DEBT SERVICE REQUIREMENTS - BONDS**

Debt service requirements to maturity are as follows:

Year Ended <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 11,000,000	\$ 22,863,004	\$ 33,863,004
2018	11,290,000	24,800,042	36,090,042
2019	10,570,000	25,823,204	36,393,204
2020	15,478,935	23,478,919	38,957,854
2021	17,115,702	23,259,671	40,375,373
2022-2026	93,322,026	108,832,506	202,154,532
2027-2031	114,026,137	86,136,330	200,162,467
2032-2036	98,976,349	57,161,940	156,138,289
2037-2041	76,645,000	36,796,922	113,441,922
2042-2046	60,815,000	20,074,800	80,889,800
2047-2050	<u>44,290,000</u>	<u>4,988,500</u>	<u>49,278,500</u>
	<u>\$553,529,149</u>	<u>\$434,215,838</u>	<u>\$987,744,987</u>

**NOTE 9. DEFEASED BONDS OUTSTANDING**

On May 19, 2016, the District issued \$157,515,000 (par value) in unlimited tax refunding bonds (current interest bonds) with interest rates ranging from 2.25% to 5.00% to advance refund \$166,905,000 of unlimited tax school building bonds. The unlimited tax refunding bonds were issued at a net premium of \$26,303,809, and, after paying issuance costs of \$1,237,390, the net proceeds were \$182,581,419. The net proceeds from the issuance of the unlimited tax refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bond matures. The advance refunding met the requirements of an in-substance debt defeasance and the unlimited tax school building bonds were removed from the District's long-term liabilities.

As a result of the advance refunding, the District decreased its total debt service requirements by \$37,492,852 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$28,404,269.

In prior years, the District has defeased other various bonds issues in a similar manner to that described above.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On August 31, 2016, \$419,295,564 of bonds outstanding are considered defeased.

**NOTE 10. PROPERTY TAXES**

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code which established an appraisal district and an appraisal review board in each county in the State of Texas. Tarrant County Appraisal District (TCAD) is responsible for the appraisal of property for all taxing units in Tarrant County, including the District. Under the terms of a contract for appraisal services, the District paid TCAD \$568,391 in fiscal year 2016 for appraising property.

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The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. The appraisal and recording of all property within the District is the responsibility of the Tarrant County Appraisal District (TCAD), an independent government unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. TCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the TCAD Review Board through various appeals and, if necessary, legal action. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2015-16 fiscal year was based was \$6,763,848,766. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges at the rate of 1.5% per month of delinquency, plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2016, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.37 per \$100 valuation, respectively, for a total of \$1.54 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2016 were 99.45% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2016, property taxes receivable, net of estimated uncollectible taxes, totaled \$2,117,078 and \$684,581 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes become available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year ending are recorded as deferred revenues and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as unavailable revenues and recognized as revenue of the period to which they apply.

**NOTE 11. DEFINED BENEFIT PENSION PLAN**

*Plan Description.* Eagle Mountain-Saginaw Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS'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.

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**Pension Plan Fiduciary Net Position.** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$163,887,375,172
Less: Plan Fiduciary Net Position	<u>(128,538,706,212)</u>
Net Pension Liability	<u>\$ 35,348,668,960</u>
 Net Position as percentage of Total Pension Liability	 78.43%

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2015 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2015 and 2016.

<u>Contribution Rates</u>	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
 Eagle Mountain-Saginaw ISD FY2016 Employer Contributions	 \$ 3,333,475	 \$ 3,333,475
Eagle Mountain-Saginaw ISD FY2016 Member Contributions	\$ 7,829,968	\$ 7,829,968
Eagle Mountain-Saginaw ISD 2015 NECE On-Behalf Contributions	\$ 5,057,122	\$ 5,057,122

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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 the fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

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

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

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

**Actuarial Assumptions.** The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

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**Discount Rate.** The single discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation	0%		2.2%
Alpha	0%		1.0%
<b>Total</b>	<u>100%</u>		<u>8.7%</u>

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

**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 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Eagle Mountain-Saginaw ISD's proportionate share of the net pension liability:	\$ 64,226,860	\$ 35,942,385	\$ 14,790,864

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***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*** At August 31, 2016, Eagle Mountain-Saginaw Independent School District reported a liability of \$35,942,385 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Eagle Mountain-Saginaw Independent School District. The amount recognized by Eagle Mountain-Saginaw Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Eagle Mountain-Saginaw Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 35,942,385
State's proportionate share that is associated with the District	<u>60,353,574</u>
Total	<u>\$ 96,295,959</u>

The net pension liability was measured as of August 31, 2015 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, 2014 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was .1016976%, an increase of 45.1% from its proportionate share of .07008691% at August 31, 2014.

**Changes Since the Prior Actuarial Valuation** – The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

*Economic Assumptions*

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

*Mortality Assumptions*

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

*Other Demographic Assumptions*

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.

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9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

*Actuarial Methods and Policies*

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the year ended August 31, 2016, Eagle Mountain-Saginaw Independent School District recognized pension expense of \$8,599,413 and revenue of \$8,599,413 for support provided by the State.

At August 31, 2016, Eagle Mountain-Saginaw 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 240,791	\$ 1,381,298
Changes in actuarial assumptions	1,012,054	1,282,267
Difference between projected and actual investment earnings	4,560,341	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	7,221,078	11,396
Contributions paid to TRS subsequent to the measurement date	3,333,475	-
Total	\$16,367,739	\$ 2,674,961

\$3,333,475 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2016	\$ 1,806,060
2017	1,806,060
2018	1,806,059
2019	3,236,550
2020	1,008,581
2021	695,993

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**NOTE 12. SCHOOL DISTRICT RETIREE HEALTH PLAN**

*Plan Description.* Eagle Mountain-Saginaw Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan 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 authority to establish and amend the basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

*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. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015 and 2014. 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. For the years ended August 31, 2016, 2015, and 2014, the State's contributions to the TRS-Care were \$1,087,495, \$1,010,481, and \$977,279, respectively, the active member contributions were \$706,872, \$656,813, and \$635,231, respectively, and the school district's contribution were \$598,122, \$555,765, and \$537,503, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended August 31, 2016, the contribution made on behalf of the District was \$425,885.



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**NOTE 13. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at August 31, 2016, consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
<u>General Fund</u>		
Special Revenue Funds:		
ESEA Title I Improving Basic Program	\$264,827	\$ -
IDEA - Part B, Formula	278,492	-
Career and Technical - Basic Grant	3,994	-
ESEA Title II Training and Recruiting	56,354	-
ESEA Title III English Lang Acquisition	34,152	-
Medicaid Admin Claim	5,678	-
State Textbook Fund	68,136	-
Pre-K Grant	6,417	-
Total	<u>718,050</u>	-
Debt Service Fund	-	<u>113,944</u>
Total General Fund	<u>718,050</u>	<u>113,944</u>
<u>Special Revenue Fund</u>		
General Fund	-	<u>718,050</u>
Total Special Revenue Fund	-	<u>718,050</u>
<u>Debt Service Fund</u>		
General Fund	<u>113,944</u>	-
Total Debt Service Fund	<u>113,944</u>	-
Total	<u>\$831,994</u>	<u>\$831,994</u>

Virtually all of the above interfund balances are short-term loans due to the fact that checking account balances for most governmental funds are pooled into one demand account. There are no interfund balances that are not expected to be repaid within one year.

Interfunds transfers for the year ended August 31, 2016 consisted of the following individual amounts:

<u>Fund</u>	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund:		
Debt Service Fund	\$6,500,000	\$ -
Debt Service Fund:		
General Fund	-	<u>6,500,000</u>
Total	<u>\$6,500,000</u>	<u>\$6,500,000</u>

The purpose of the \$6,500,000 transfer was to transfer funds from the general fund to the debt service fund for use toward debt service payments.

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**NOTE 14. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2016, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$2,228,503	\$2,415,563	\$718,050	\$12,853	\$5,374,969
Debt Service Fund	720,612	-	113,944	-	834,556
Special Revenue Fund	<u>-</u>	<u>1,166,768</u>	<u>-</u>	<u>20,660</u>	<u>1,187,428</u>
Total - Governmental Activities	<u>\$2,949,115</u>	<u>\$3,582,331</u>	<u>\$831,994</u>	<u>\$33,513</u>	<u>\$7,396,953</u>
Amounts not scheduled for collection during the subsequent year	\$ 147,456	\$ -	\$ -	\$ -	\$ 147,456

Payables at August 31, 2016, were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Due To Other Governments</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$2,054,161	\$7,578,763	\$113,944	\$ 7,334	\$ 9,754,202
Debt Service Fund	-	-	-	57,032	57,032
Capital Projects Fund	1,280,209	-	-	-	1,280,209
Special Revenue Funds	<u>527,578</u>	<u>340,909</u>	<u>718,050</u>	<u>-</u>	<u>1,586,537</u>
Total-Governmental Activities	<u>\$3,861,948</u>	<u>\$7,919,672</u>	<u>\$831,944</u>	<u>\$64,366</u>	<u>\$12,677,980</u>
Amounts not scheduled for payment during the subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -

**NOTE 15. DUE FROM OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal, state and local governments as of August 31, 2016, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>Local</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$105,555	\$2,301,252	\$ 8,756	\$2,415,563
Special Revenue	-	159,583	1,007,185	1,166,768
Total	<u>\$105,555</u>	<u>\$2,460,835</u>	<u>\$1,015,941</u>	<u>\$3,582,331</u>

**NOTE 16. CONTINGENT LIABILITIES**

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments which exceed bond issue stated interest rates. The exact amount of liability, if any, will not be known until as long as five years from the bond issuance date. At August 31, 2016, the estimated rebate liability on outstanding bond series was \$0.

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**NOTE 17. LITIGATION AND CONTINGENCIES**

The District is a party to various legal actions none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

Minimum foundation funding received from the Agency is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District and supplied to the Agency. Federal funding for Food Services under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the USDA. Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

The programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

The Tarrant County Appraisal District is a defendant in various lawsuits involving the property values assigned to property located within the District's boundaries on which the District assesses property taxes. The District could be required to refund property taxes paid on values which were greater than the ultimate final assessed valuation assigned by the court. Such lawsuits could continue several years into the future.

**NOTE 18. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$79,393,576	\$ -	\$25,143,581	\$ -	\$104,537,157
Investment Income	133,362	9,684	20,093	65,111	228,250
Food Sales	-	4,004,862	-	-	4,004,862
Penalties, interest and other tax related income	570,962	-	160,065	-	731,027
Co-curricular student activities	481,542	1,494,744	-	-	1,976,286
Tuition and fees	222,646	-	-	-	222,646
Gifts and bequests	-	90,374	-	-	90,374
Facilities rentals	32,028	-	-	-	32,028
Insurance recovery	15,800	-	-	-	15,800
Gas royalties	24,510	-	-	-	24,510
Other	131,145	-	-	-	131,145
<b>Total</b>	<u>\$81,005,571</u>	<u>\$5,599,664</u>	<u>\$25,323,739</u>	<u>\$ 65,111</u>	<u>\$111,994,085</u>

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**NOTE 19. UNEARNED REVENUE**

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Athletic season tickets	\$ 3,280	\$ -	\$ -	\$ 3,280
Lunchroom receipts	-	215,425	-	215,425
Food Commodities	-	7,347	-	7,347
Medicaid Admin Claim (MAC)	-	4,478	-	4,478
Read to Succeed	-	1,713	-	1,713
State Textbook Fund	-	13,563	-	13,563
United Way	-	22,200	-	22,200
Gen Youth Foundation	-	238	-	238
AP Campus Awards	-	13,506	-	13,506
AP Incentives	-	31,251	-	31,251
Cargill Donation Fund	-	5,144	-	5,144
Diary Max Foundation	-	613	-	613
Meadows Foundation	-	17	-	17
Microsoft Grant	-	3,044	-	3,044
	<u>\$ 3,280</u>	<u>\$318,539</u>	<u>\$ -</u>	<u>\$321,819</u>

**NOTE 20. COMMITMENTS UNDER LEASES**

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2016, as follows:

Year Ending	
<u>August 31,</u>	
2017	\$531,049
2018	<u>452,048</u>
Total Minimum Rentals	<u>\$983,097</u>
Rental Expenditures in Fiscal Year 2016	<u>\$531,049</u>

**NOTE 21. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION**

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in no functional categories for the year ended August 31, 2016.

**NOTE 22. SHARED SERVICE ARRANGEMENTS**

The District participates in a shared services arrangement for juvenile justice alternative education services with several other school districts. Although the District contributes to the shared services arrangement based on its participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Eagle Mountain-Saginaw ISD. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. During the year ended August 31, 2016, the District contributed \$21,801 to the fiscal agent as its share of the costs of the joint venture.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2016

In a manner similar to that described above, the District also is a member in a shared services arrangement with seven other school districts to provide deaf services to eligible students. The District had no students in the deaf education program during the current fiscal period.

**NOTE 23. SUBSEQUENT EVENT**

On September 22, 2016 the District issued \$51,700,000 of unlimited tax refunding bonds and, after receipt of premium on the bonds less issuance costs, the proceeds of \$57,858,541 were deposited in escrow to defease some of the Series 2008 unlimited tax school building bonds.

On September 22, 2016 the District issued \$4,400,000 of unlimited tax school building bonds and, after receipt of premium on the bonds less issuance costs, the proceeds of \$5,000,000 were deposited into the District's capital projects fund for use in completing the ongoing construction projects.

**NOTE 24. DEFICIT FUND BALANCE**

At August 31, 2016 the capital projects fund has a deficit fund balance of \$510,466, due to the accrual of retainage owed on ongoing construction projects. The deficit was eliminated in September, 2016 with the issuance of school building bonds referred to in the previous note.

REQUIRED SUPPLEMENTARY INFORMATION

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.1016976%	0.0700869%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 35,942,385	\$ 18,721,181
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	60,353,574	51,976,810
Total	<u>\$ 96,295,959</u>	<u>\$ 70,697,991</u>
District's Covered-Employee Payroll	\$ 101,048,094	\$ 97,727,945
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	35.57%	19.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR FISCAL YEAR 2016

EXHIBIT G-2

	2016	2015
Contractually Required Contribution	\$ 3,333,475	\$ 3,010,782
Contribution in Relation to the Contractually Required Contribution	(3,333,475)	(3,010,782)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 108,749,467	\$ 101,048,094
Contributions as a Percentage of Covered-Employee Payroll	3.07%	2.98%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

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



EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2016

*Changes of benefit terms.*

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

*Changes of assumptions.*

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

*Economic Assumptions*

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

*Mortality Assumptions*

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

*Other Demographic Assumptions*

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

*Actuarial Methods and Policies*

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

## COMBINING SCHEDULES

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2016

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	244 Career and Technical - Basic Grant
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	313,568	412,276	3,994
1290	Other Receivables	-	-	-
1000	<b>Total Assets</b>	<u>\$ 313,568</u>	<u>\$ 412,276</u>	<u>\$ 3,994</u>
<b>LIABILITIES</b>				
2110	Accounts Payable	\$ 1,930	\$ -	\$ -
2160	Accrued Wages Payable	46,811	133,784	-
2170	Due to Other Funds	264,827	278,492	3,994
2300	Unearned Revenues	-	-	-
2000	<b>Total Liabilities</b>	<u>313,568</u>	<u>412,276</u>	<u>3,994</u>
<b>FUND BALANCES</b>				
Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 313,568</u>	<u>\$ 412,276</u>	<u>\$ 3,994</u>

255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC	289 Summer School LEP	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund	427 Pre-K Grant
\$ -	\$ 11,776	\$ 200	\$ -	\$ -	\$ 31,251	\$ -	\$ -
62,745	22,376	9,956	-	-	-	153,166	6,417
-	-	-	-	-	-	-	-
<u>\$ 62,745</u>	<u>\$ 34,152</u>	<u>\$ 10,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,251</u>	<u>\$ 153,166</u>	<u>\$ 6,417</u>
\$ 449	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,467	\$ -
5,942	-	-	-	-	-	-	-
56,354	34,152	5,678	-	-	-	68,136	6,417
-	-	4,478	-	-	31,251	13,563	-
<u>62,745</u>	<u>34,152</u>	<u>10,156</u>	<u>-</u>	<u>-</u>	<u>31,251</u>	<u>153,166</u>	<u>6,417</u>
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 62,745</u>	<u>\$ 34,152</u>	<u>\$ 10,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,251</u>	<u>\$ 153,166</u>	<u>\$ 6,417</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2016

Data Control Codes	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 United Way	481 Cargill Donation Fund	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 15,219	\$ 965,895	\$ 22,200	\$ 5,144
1240	Receivables from Other Governments	-	-	-	-
1290	Other Receivables	-	297	-	-
1000	Total Assets	<u>\$ 15,219</u>	<u>\$ 966,192</u>	<u>\$ 22,200</u>	<u>\$ 5,144</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ 47,110	\$ -	\$ -
2160	Accrued Wages Payable	-	3,917	-	-
2170	Due to Other Funds	-	-	-	-
2300	Unearned Revenues	15,219	-	22,200	5,144
2000	Total Liabilities	<u>15,219</u>	<u>51,027</u>	<u>22,200</u>	<u>5,144</u>
<b>FUND BALANCES</b>					
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	915,165	-	-
3000	Total Fund Balances	<u>-</u>	<u>915,165</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 15,219</u>	<u>\$ 966,192</u>	<u>\$ 22,200</u>	<u>\$ 5,144</u>

482 Gen Youth Foundation	483 Meadows Foundation	484 Dairy Max Foundation	486 Lions Club Foundation	499 Microsoft Grant	Total Nonmajor Governmental Funds
\$ 238	\$ 17	\$ 613	\$ -	\$ 3,044	\$ 1,055,597
-	-	-	-	-	984,498
-	-	-	20,363	-	20,660
<u>\$ 238</u>	<u>\$ 17</u>	<u>\$ 613</u>	<u>\$ 20,363</u>	<u>\$ 3,044</u>	<u>\$ 2,060,755</u>
\$ -	\$ -	\$ -	\$ 20,363	\$ -	\$ 141,319
-	-	-	-	-	190,454
-	-	-	-	-	718,050
238	17	613	-	3,044	95,767
<u>238</u>	<u>17</u>	<u>613</u>	<u>20,363</u>	<u>3,044</u>	<u>1,145,590</u>
-	-	-	-	-	915,165
-	-	-	-	-	915,165
<u>\$ 238</u>	<u>\$ 17</u>	<u>\$ 613</u>	<u>\$ 20,363</u>	<u>\$ 3,044</u>	<u>\$ 2,060,755</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	244 Career and Technical - Basic Grant
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	1,238,793	2,371,440	10,398	136,865
5020 Total Revenues	<u>1,238,793</u>	<u>2,371,440</u>	<u>10,398</u>	<u>136,865</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	1,093,105	2,217,290	10,398	136,865
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	67,243	2,750	-	-
0021 Instructional Leadership	66,408	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	151,400	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	12,037	-	-	-
6030 Total Expenditures	<u>1,238,793</u>	<u>2,371,440</u>	<u>10,398</u>	<u>136,865</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC	289 Summer School LEP	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund	427 Pre-K Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	10,032	-	891,027	6,278
183,138	127,448	35,000	8,905	-	-	-	-
<u>183,138</u>	<u>127,448</u>	<u>35,000</u>	<u>8,905</u>	<u>10,032</u>	<u>-</u>	<u>891,027</u>	<u>6,278</u>
-	115,499	-	8,905	10,032	-	891,027	-
-	-	-	-	-	-	-	-
183,138	8,901	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	3,048	35,000	-	-	-	-	6,278
<u>183,138</u>	<u>127,448</u>	<u>35,000</u>	<u>8,905</u>	<u>10,032</u>	<u>-</u>	<u>891,027</u>	<u>6,278</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 United Way	481 Cargill Donation Fund
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ 1,529,358	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>-</u>	<u>1,529,358</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	-	972,826	-	-
0012 Instructional Resources and Media Services	-	160,698	-	-
0013 Curriculum and Instructional Staff Development	-	6,012	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	47,138	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0036 Extracurricular Activities	-	248,409	-	-
0041 General Administration	-	39	-	-
0052 Security and Monitoring Services	-	2,065	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>-</u>	<u>1,437,187</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	92,171	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>822,994</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 915,165</u>	<u>\$ -</u>	<u>\$ -</u>

482 Gen Youth Foundation	483 Meadows Foundation	484 Dairy Max Foundation	486 Lions Club Foundation	499 Microsoft Grant	Total Nonmajor Governmental Funds
\$ -	\$ 1,507	\$ -	\$ 51,297	\$ 2,956	\$ 1,585,118
-	-	-	-	-	907,337
-	-	-	-	-	4,111,987
-	1,507	-	51,297	2,956	6,604,442
-	-	-	38,811	-	5,494,758
-	-	-	-	-	160,698
-	-	-	-	2,956	271,000
-	-	-	-	-	66,408
-	-	-	-	-	47,138
-	-	-	12,486	-	163,886
-	1,507	-	-	-	249,916
-	-	-	-	-	39
-	-	-	-	-	2,065
-	-	-	-	-	56,363
-	1,507	-	51,297	2,956	6,512,271
-	-	-	-	-	92,171
-	-	-	-	-	822,994
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 915,165

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REQUIRED T.E.A. SCHEDULES

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	Tax Rates		(3) Assessed/Appraised Value for School Tax Purposes
	(1) Maintenance	(2) Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	0.940100	0.390000	5,537,950,154
2009	0.995800	0.470000	6,042,621,435
2010	0.995800	0.470000	6,386,185,496
2011	0.995800	0.500000	5,982,077,550
2012	1.030000	0.500000	5,999,924,771
2013	1.040000	0.500000	5,959,427,468
2014	1.170000	0.370000	6,249,566,429
2015	1.170000	0.370000	6,689,943,052
2016 (School year under audit)	1.170000	0.370000	6,763,848,766
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 902,588	\$ -	\$ 7,324	\$ 1,702	\$ (72,649)	\$ 820,913
69,486	-	837	347	(522)	67,780
109,468	-	1,701	803	440	107,404
134,055	-	(15,833)	(7,473)	(26,157)	131,204
156,361	-	84,637	42,497	51,234	80,461
166,486	-	93,927	45,596	107,840	134,803
310,146	-	108,884	52,348	83,175	232,089
590,645	-	(33,457)	(10,581)	(176,779)	457,904
1,302,442	-	12,588	3,704	(939,228)	346,922
-	104,163,271	78,704,256	24,889,380	-	569,635
<u>\$ 3,741,677</u>	<u>\$ 104,163,271</u>	<u>\$ 78,964,864</u>	<u>\$ 25,018,323</u>	<u>\$ (972,646)</u>	<u>\$ 2,949,115</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT J-2

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 4,061,119	\$ 4,064,119	\$ 4,014,546	\$ (49,573)
5800 State Program Revenues	40,000	41,830	41,830	-
5900 Federal Program Revenues	4,498,050	3,818,050	3,865,814	47,764
5020 Total Revenues	<u>8,599,169</u>	<u>7,923,999</u>	<u>7,922,190</u>	<u>(1,809)</u>
EXPENDITURES:				
0035 Food Services	<u>8,350,619</u>	<u>8,424,519</u>	<u>7,826,317</u>	<u>598,202</u>
6030 Total Expenditures	<u>8,350,619</u>	<u>8,424,519</u>	<u>7,826,317</u>	<u>598,202</u>
1200 Net Change in Fund Balances	248,550	(500,520)	95,873	596,393
0100 Fund Balance - September 1 (Beginning)	<u>1,253,411</u>	<u>1,253,411</u>	<u>1,253,411</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,501,961</u>	<u>\$ 752,891</u>	<u>\$ 1,349,284</u>	<u>\$ 596,393</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 26,668,591	\$ 25,351,808	\$ 25,323,739	\$ (28,069)
5800	State Program Revenues	-	708,199	701,466	(6,733)
5900	Federal Program Revenues	1,488,689	1,497,116	1,497,116	-
5020	Total Revenues	28,157,280	27,557,123	27,522,321	(34,802)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	11,793,938	11,793,938	11,793,938	-
0072	Interest on Long Term Debt	24,960,253	22,758,061	22,758,061	-
0073	Bond Issuance Cost and Fees	50,000	1,312,392	1,277,560	34,832
6030	Total Expenditures	36,804,191	35,864,391	35,829,559	34,832
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,646,911)	(8,307,268)	(8,307,238)	30
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	157,515,000	157,515,000	-
7915	Transfers In	6,500,000	6,500,000	6,500,000	-
7916	Premium or Discount on Issuance of Bonds	-	26,303,809	26,303,809	-
8949	Other (Uses)	-	(182,820,717)	(182,820,717)	-
7080	Total Other Financing Sources (Uses)	6,500,000	7,498,092	7,498,092	-
1200	Net Change in Fund Balances	(2,146,911)	(809,176)	(809,146)	30
0100	Fund Balance - September 1 (Beginning)	4,023,226	4,023,226	4,023,226	-
3000	Fund Balance - August 31 (Ending)	\$ 1,876,315	\$ 3,214,050	\$ 3,214,080	\$ 30



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FEDERAL AWARDS SECTION

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

To the Board of Trustees  
Eagle Mountain-Saginaw Independent School District  
Fort Worth, Texas

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 Eagle Mountain-Saginaw Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Eagle Mountain-Saginaw Independent School District's basic financial statements, and have issued our report dated January 17, 2017.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of the 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.

*Hankins, Eastup, Deaton, Tonn & Seay*

Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

January 17, 2017

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

To the Board of Trustees  
Eagle Mountain-Saginaw Independent School District  
Fort Worth, Texas

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

We have audited Eagle Mountain-Saginaw Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Eagle Mountain-Saginaw Independent School District's major federal programs for the year ended August 31, 2016. Eagle Mountain-Saginaw Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding 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 Eagle Mountain-Saginaw 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eagle Mountain-Saginaw 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 Eagle Mountain-Saginaw Independent School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Eagle Mountain-Saginaw 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 year ended August 31, 2016.

## Report on Internal Control Over Compliance

Management of Eagle Mountain-Saginaw 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 Eagle Mountain-Saginaw 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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Eagle Mountain-Saginaw Independent School District's internal control over compliance.

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

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

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



Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

January 17, 2017

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2016

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:  
Material weakness(es) identified: None  
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:  
Material weakness(es) identified: None  
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No
7. Major programs include:  
  
CFDA 84.010A ESEA, Title I, Part A - Improving Basic Programs  
  
Child Nutrition Cluster:  
CFDA 10.553 School Breakfast Program  
CFDA 10.555 National School Lunch Program - Cash Assistance  
CFDA 10.555 National School Lunch Program - Non-cash Assistance
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Other Findings

None



EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2016

NONE

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2016

(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 DEFENSE</b>			
<u>Direct Programs</u>			
ROTC	12.000	01-220918	\$ 57,800
Total Direct Programs			\$ 57,800
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			<b>\$ 57,800</b>
<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	15610101220918	\$ 3,129
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101220918	1,214,903
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101220918	20,761
Total CFDA Number 84.010A			1,238,793
*IDEA - Part B, Formula	84.027	166600012209186600	2,237,656
*IDEA - Part B, Formula	84.027	176600012209186600	133,784
Total CFDA Number 84.027			2,371,440
*IDEA - Part B, Preschool	84.173	166610012209186610	10,398
Total Special Education Cluster (IDEA)			2,381,838
Career and Technical - Basic Grant	84.048	16420006220918	136,865
Title III, Part A - English Language Acquisition	84.365A	15671001220918	120
Title III, Part A - English Language Acquisition	84.365A	16671001220918	123,403
Title III, Part A - English Language Acquisition	84.365A	17671001220918	3,925
Total CFDA Number 84.365A			127,448
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501220918	4,503
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501220918	172,693
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17694501220918	5,942
Total CFDA Number 84.367A			183,138
Summer School LEP	84.369A	69551502	8,905
Total Passed Through State Department of Education			\$ 4,076,987
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>\$ 4,076,987</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Direct Programs</u>			
Medicaid Administrative Claiming Program - MAC	93.778	01-220918	\$ 35,000
Total Direct Programs			\$ 35,000
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ 35,000</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401601	\$ 845,920
*National School Lunch Program - Cash Assistance	10.555	71301601	2,548,449
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301601	471,445
Total CFDA Number 10.555			3,019,894
Total Child Nutrition Cluster			3,865,814
Total Passed Through the State Department of Agriculture			\$ 3,865,814
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>\$ 3,865,814</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 8,035,601</b>

\*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
 NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
 YEAR ENDED AUGUST 31, 2016

1. The District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

3. The District participates in numerous state and Federal grant programs that 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2016, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.
4. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in the Uniform Guidance.
5. During the current year, the District received the following funds which are not included in the Schedule of Expenditures of Federal Awards.

Total Expenditures of Federal Awards	\$ 8,035,601
Indirect Costs	1,071,954
Medicaid Reimbursement (SHARS)	2,175,993
Fuel Tax Rebate	62,579
Federal Interest Subsidy-Bonds	<u>1,497,116</u>
Federal Revenues per Financial Statements	<u>\$12,843,243</u>