

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2013**

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2013

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
CERTIFICATE OF BOARD	3	
Independent Auditors' Report	5	
Management's Discussion and Analysis	7	
<u>Basic Financial Statements</u>		
Government Wide Statements:		
Statement of Net Position	17	A-1
Statement of Activities	18	B-1
Governmental Fund Financial Statements:		
Balance Sheet	20	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balance	24	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	26	C-4
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual-General Fund	28	C-5
Proprietary Fund Financial Statements:		
Statement of Net Position	29	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position	30	D-2
Statement of Cash Flows	31	D-3
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	32	E-1
Notes to the Financial Statements	33	
<u>Combining Schedules</u>		
Nonmajor Governmental Funds:		
Combining Balance Sheet	56	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	60	H-2
<u>Required TEA Schedules</u>		
Schedule of Delinquent Taxes	66	J-1
Schedule of Expenditures for Computation of Indirect Cost	68	J-2
Fund Balance and Cash Flow Calculation Worksheet	69	J-3
Budgetary Comparison Schedule – Child Nutrition Fund	70	J-4
Budgetary Comparison Schedule – Debt Service Fund	71	J-5
<u>Federal Awards Section</u>		
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	75	
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	77	
Schedule of Findings and Questioned Costs	79	
Corrective Action Plan	80	
Schedule of Expenditures of Federal Awards	81	K-1
Notes to Schedule of Expenditures of Federal Awards	82	

This page left blank intentionally.

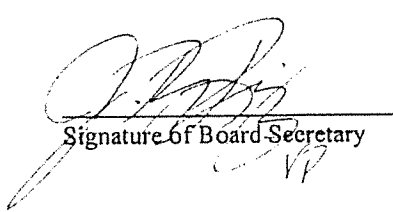
CERTIFICATE OF BOARD

Eagle Mountain-Saginaw Independent School District
Name of School District

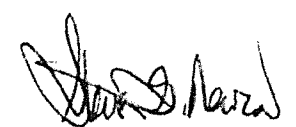
Tarrant
County

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) X approved _____ disapproved for the year ended August 31, 2013, at a meeting of the Board of Trustees of such school district on the 20th day of January, 2014.



Signature of Board Secretary



Signature of Board President

This page left blank intentionally.

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, 2013, 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, 2013, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2013 the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Positions*. Our opinion is not modified with respect to this matter.

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 14 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules, excluding the Fund Balance and Cash Flow Calculation Worksheet (Exhibit J-3) which is marked unaudited and on which we express no opinion, 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 20, 2014 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 20, 2014

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2013
(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, 2013. 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 assets and deferred outflows of Eagle Mountain-Saginaw Independent School District exceeded its liabilities at the close of the most recent fiscal period by \$4,298,827 (net position). Included in the total is \$21,360,715 of unrestricted net position that may be used to meet the District's ongoing obligations to citizens and creditors in accordance with the District's fund commitments and fiscal policies.
- The District's total net position decreased by \$7,449,723.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$31,673,080. Over 71% of this total amount (\$22,560,356) is unassigned and available for use within the District's commitments and policies.
- At the end of the current fiscal period, unassigned fund balance for the general fund was \$22,560,356 or 17.7% 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 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 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 27 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 decreased from \$11,700,020 (after effect of the prior period adjustment) to \$4,246,812. 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 \$21,308,700 at August 31, 2013. This decrease in governmental net position was the result of several factors. First, the District's revenues exceeded expenditures by \$4,838,914 (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 \$13,333,014. In addition, various adjustments totaling \$1,040,892 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 2013, net position of our business-type activities increased by \$3,485. 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	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$ 60,094,620	\$ 65,448,912	\$77,380	\$79,151	\$ 60,172,000	\$ 65,528,063
Capital assets	567,442,246	559,738,282	-	-	567,442,246	559,738,282
Total assets	627,536,866	625,187,194	77,380	79,151	627,614,246	625,266,345
Deferred outflows	5,379,074	11,987,929	-	-	5,379,074	11,987,929
Long-term liabilities	594,966,110	605,575,684	-	-	594,966,110	605,575,684
Other liabilities	26,249,810	27,352,627	28,850	27,136	26,278,660	27,379,763
Total liabilities	621,215,920	632,928,311	28,850	27,136	621,244,770	632,955,447
Net Position:						
Net investment in capital assets	(10,280,596)	(21,620,139)	-	-	(10,280,596)	(21,620,139)
Restricted	3,944,447	4,558,251	-	-	3,944,447	4,558,251
Unrestricted	18,036,169	21,308,700	48,530	52,015	18,084,699	21,360,715
Total net position	11,700,020	4,246,812	48,530	52,015	11,748,550	4,298,827

The \$21,308,700 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	
	2012	2013	2012	2013	2012	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 7,684,372	\$ 8,372,759	\$691,961	\$737,417	\$ 8,376,333	\$ 9,110,176
Operating grants and contributions	15,373,460	15,054,903	-	-	15,373,460	15,054,903
General Revenues:						
Maintenance and operations taxes	62,395,066	62,514,352	-	-	62,395,066	62,514,352
Debt service taxes	30,241,562	30,006,862	-	-	30,241,562	30,006,862
State aid - formula grants	51,774,900	54,840,153	-	-	51,774,900	54,840,153
Investment Earnings	221,550	127,008	-	-	221,550	127,008
Miscellaneous	232,875	241,231	-	-	232,875	241,231
Total Revenue	167,923,785	171,157,268	691,961	737,417	168,615,746	171,894,685
Expenses:						
Instruction, curriculum and media services	86,551,620	93,697,467	712,453	733,932	87,264,073	94,431,399
Instructional and school leadership	10,044,049	10,806,277	-	-	10,044,049	10,806,277
Student support services	11,789,997	12,463,769	-	-	11,789,997	12,463,769
Food Services	7,522,616	7,247,582	-	-	7,522,616	7,247,582
Extracurricular activities	4,791,916	5,397,845	-	-	4,791,916	5,397,845
General administration	4,040,374	4,368,268	-	-	4,040,374	4,368,268
Plant maintenance, security & data processing	19,208,859	19,253,733	-	-	19,208,859	19,253,733
Debt services	26,871,844	24,851,526	-	-	26,871,844	24,851,526
Intergovernmental charges	563,256	563,138	-	-	563,256	563,138
Total Expenses	171,384,531	178,649,605	712,453	733,932	172,096,984	179,383,537
Increase (decrease) in net position before transfers and special items	(3,460,746)	(7,492,337)	(20,492)	3,485	(3,481,238)	(7,488,852)
Gain on sale of assets	34,179	39,129	-	-	34,179	39,129
Change in net position	(3,426,567)	(7,453,208)	(20,492)	3,485	(3,447,059)	(7,449,723)
Net Position – beginning of year	10,113,504	6,686,937	69,022	48,530	10,182,526	6,735,467
Prior period adjustment	-	5,013,083	-	-	-	5,013,083
Net Position – end of year	6,686,937	4,246,812	48,530	52,015	6,735,467	4,298,827

The cost of all governmental activities for the current fiscal period was \$178,649,605. 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 \$92,521,214 because some of the costs were paid by those who directly benefited from the programs (\$8,372,759) or by other governments and organizations that subsidized certain programs with grants and contributions (\$15,054,903) or by State equalization funding (\$54,840,153).

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 \$31,673,080 an increase of \$3,487,540 over the previous year. Approximately 84.3 percent of this total amount (\$26,727,903) 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 (\$2,719,073) or food service (\$940,745), or already spent on inventories (\$366,465) or prepaid items (\$918,894).

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 \$22,560,356, while the total fund balance was \$26,684,549. 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 17.75 percent of the total general fund expenditures, while the total fund balance represents 20.99 percent of that same amount.

The fund balance of the District's general fund decreased by \$1,807,425 during the current fiscal year compared to a \$2,043,333 increase in the prior year. Key factors related to this change are as follows:

- A small increase in the District's property tax rate offset a small decrease in assessed values and allowed property tax revenue to remain relatively flat. An increase in state revenues of \$3,143,164 was offset by a \$7,084,739 increase in general fund expenditures.

The debt service fund has a total fund balance of \$2,719,073, 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 \$12,607 was relatively immaterial.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund increased by \$4,681,161, due to \$10,000,000 of bond proceeds offset by \$5,331,164 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, 2012). 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 \$26,684,459 reported on page 20 differs from the General Fund's budgetary fund balance of \$24,132,625 reported in the budgetary comparison schedule on page 28. This is principally due to cost savings in several functional expenditure categories.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2013, the District had \$559,738,282 (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 decrease of \$7,703,964, or 1.3 percent, below last year.

This fiscal year's major additions included:

Final construction costs on a new high school, paid for with proceeds of general obligation bonds.	\$3,354,382
Track and tennis court renovations, paid for with proceeds of general obligations bonds.	490,063
Totaling	<u>\$3,844,445</u>

More detailed information about the District's capital assets is presented in Note 5 to the financial statements.

Debt Administration

At year-end, the District had \$605,575,684 in long-term debt (\$569,697,177 outstanding bonds plus accreted interest and premiums/discounts on bonds) versus \$594,966,110 last year—an increase of \$10,609,574 or 1.8 percent. Debt issuances during the fiscal period include three refunding bond series and one new issuance. 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 \$595,942,746, which is in excess of the District's outstanding general obligation debt.

Other obligations include compensated absences. More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The economy and, in particular, funding from the State of Texas continues to be the major story for Eagle Mountain – Saginaw ISD as we look to the future. In the most recent legislative session, the legislature restored a substantial portion of the \$24 billion in statewide reductions enacted in 2011. However the methodology in which the funding was restored did not return an equal amount of revenue to all districts. Eagle Mountain-Saginaw ISD received a significantly smaller amount of restored funding than most other districts in the State of Texas. However, because of the funding restoration we did receive, combined with our continued growth, the financial outlook for the future is better than it was before the legislative session.
- In addition to the restored funding, taxable assessed values in the district grew significantly for the first time in the past five years. This years growth of approximately 3% provides capacity for future construction needs. As noted above, the District is still growing between 500 and 700 students per year. Additional buildings as well as upgrades in infrastructure will be needed to meet these needs. We anticipate continued increases in taxable assessed valuation will allow Eagle Mountain-Saginaw ISD to meet these capital needs well into the future.

- In September 2013 District voters approved a tax ratification election of \$0.13, which will generate an additional \$8,500,000 per year in revenue, above and beyond the restored funding from the Legislature. The District Administration and the Board of Trustees intend to use these funds to initially offset the debt service rate to maintain as level a tax rate as possible for the community. However, as we move forward we will review the needs of the students in our community to determine how to best utilize this revenue source.
- As noted in the prior year, the economic impact of the cuts on school districts in the State of Texas has had a serious impact. As a result, districts in the State of Texas filed four lawsuits against the State of Texas. These lawsuits allege that the finance system for education in Texas is unconstitutional. Several hundred districts have joined in these. The lawsuit, which was filed in 2012, is still pending in the lower court waiting updates in testimony based on changes made in the last legislative session. We anticipate that a decision will be forthcoming in the near future. However, we believe that decision will be appealed. We do not have a timetable nor do we have an estimate of the financial impact a final decision would have on Eagle Mountain-Saginaw ISD. Accordingly, we have not factored any impact from this lawsuit into our long range planning.
- As noted above, Eagle Mountain-Saginaw ISD is in a favorable position. We continue to have student growth, which does generate additional funding for the District. Although our rate of growth has slowed, is it still significant and is the primary reason we have been able to move forward without significant disruptions to major programs or components of the District.
- Taxable assessed values did increase by approximately 3% after being basically flat for the prior four years. While the increase of our assessed value does not provide additional operating revenue, it does provide relief on the debt service obligations, which are funded 100% by property taxes.
- Our fund balance increased in the period ended August 31, 2012 by approximately \$2,000,000. Current year operations resulted in a deficit; however overall the District is on track with our long-range plan and the surpluses and deficits are a result of smoothing operations and implementing changes over time. Our fund balance is currently near a level considered optimal by the State of Texas. Our Board of Trustees has set a goal of three months of operations in fund balance. We are not at this level, however we have added to the fund balance and the number of months in fund balance has increased to 2.52. We will continue to consider fund balance as one of our key funding components as we put together future budgets

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

This page left blank intentionally.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2013

EXHIBIT A-1

		1	2	3
		Primary Government		
Data			Business	
Control		Governmental	Type	
Codes		Activities	Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	\$ 54,979,708	\$ 73,158	\$ 55,052,866
1220	Property Taxes Receivable (Delinquent)	2,561,572	-	2,561,572
1230	Allowance for Uncollectible Taxes	(128,079)	-	(128,079)
1240	Due from Other Governments	1,453,832	-	1,453,832
1290	Other Receivables, net	66,571	-	66,571
1300	Inventories	405,746	-	405,746
1410	Prepayments	925,366	5,993	931,359
1420	Capitalized Bond and Other Debt Issuance Costs	5,184,196	-	5,184,196
Capital Assets:				
1510	Land	29,478,767	-	29,478,767
1520	Buildings, Net	502,403,764	-	502,403,764
1530	Furniture and Equipment, Net	26,471,317	-	26,471,317
1580	Construction in Progress	1,384,434	-	1,384,434
1000	Total Assets	625,187,194	79,151	625,266,345
DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred Charge for Refunding	11,987,929	-	11,987,929
1700	Total Deferred Outflows of Resources	11,987,929	-	11,987,929
LIABILITIES				
2110	Accounts Payable	1,675,365	-	1,675,365
2150	Payroll Deductions & Withholdings	1,542,352	-	1,542,352
2160	Accrued Wages Payable	4,418,414	27,136	4,445,550
2180	Due to Other Governments	18,197,185	-	18,197,185
2200	Accrued Expenses	1,132,377	-	1,132,377
2300	Unearned Revenue	386,934	-	386,934
Noncurrent Liabilities				
2501	Due Within One Year	9,543,236	-	9,543,236
2502	Due in More Than One Year	596,032,448	-	596,032,448
2000	Total Liabilities	632,928,311	27,136	632,955,447
NET POSITION				
3200	Net Investment in Capital Assets	(21,620,139)	-	(21,620,139)
Restricted for:				
3820	Restricted for Federal and State Programs	1,101,911	-	1,101,911
3850	Restricted for Debt Service	2,719,073	-	2,719,073
3870	Restricted for Campus Activities	737,267	-	737,267
3900	Unrestricted	21,308,700	52,015	21,360,715
3000	Total Net Position	\$ 4,246,812	\$ 52,015	\$ 4,298,827

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, 2013

Data Control Codes	1 Expenses	Program Revenues	
		3	4
		Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 89,292,069	\$ 241,391	\$ 9,109,459
12 Instructional Resources and Media Services	2,802,614	-	265,864
13 Curriculum and Staff Development	1,602,784	-	213,793
21 Instructional Leadership	1,467,014	-	116,003
23 School Leadership	9,339,263	-	486,649
31 Guidance, Counseling and Evaluation Services	6,405,877	-	395,931
32 Social Work Services	73,442	-	2,599
33 Health Services	1,695,468	-	345,264
34 Student (Pupil) Transportation	4,288,982	-	1,278,042
35 Food Services	7,247,582	7,569,679	-
36 Extracurricular Activities	5,397,845	322,272	508,875
41 General Administration	4,368,268	91,412	157,058
51 Facilities Maintenance and Operations	16,298,559	148,005	503,727
52 Security and Monitoring Services	741,192	-	5,647
53 Data Processing Services	2,132,838	-	83,361
61 Community Services	81,144	-	46,568
72 Debt Service - Interest on Long Term Debt	24,629,973	-	1,536,063
73 Debt Service - Bond Issuance Cost and Fees	221,553	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	125	-	-
99 Other Intergovernmental Charges	563,013	-	-
[TG] Total Governmental Activities:	178,649,605	8,372,759	15,054,903
BUSINESS-TYPE ACTIVITIES:			
01 Employee Childcare	733,932	737,417	-
[TB] Total Business-Type Activities:	733,932	737,417	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 179,383,537	\$ 9,110,176	\$ 15,054,903

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
S1	Special Item - Gain on Sale of Assets
TR	Total General Revenues and Special Items
CN	Change in Net Position
NB	Net Position - Beginning
PA	Prior Period Adjustment
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
\$ (79,941,219)	\$ -	\$ (79,941,219)
(2,536,750)	-	(2,536,750)
(1,388,991)	-	(1,388,991)
(1,351,011)	-	(1,351,011)
(8,852,614)	-	(8,852,614)
(6,009,946)	-	(6,009,946)
(70,843)	-	(70,843)
(1,350,204)	-	(1,350,204)
(3,010,940)	-	(3,010,940)
322,097	-	322,097
(4,566,698)	-	(4,566,698)
(4,119,798)	-	(4,119,798)
(15,646,827)	-	(15,646,827)
(735,545)	-	(735,545)
(2,049,477)	-	(2,049,477)
(34,576)	-	(34,576)
(23,093,910)	-	(23,093,910)
(221,553)	-	(221,553)
(125)	-	(125)
(563,013)	-	(563,013)
(155,221,943)	-	(155,221,943)
-	3,485	3,485
-	3,485	3,485
(155,221,943)	3,485	(155,218,458)
62,514,352	-	62,514,352
30,006,862	-	30,006,862
54,840,153	-	54,840,153
127,008	-	127,008
241,231	-	241,231
39,129	-	39,129
147,768,735	-	147,768,735
(7,453,208)	3,485	(7,449,723)
6,686,937	48,530	6,735,467
5,013,083	-	5,013,083
\$ 4,246,812	\$ 52,015	\$ 4,298,827

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 46,073,430	\$ 5,586,407	\$ 1,059,900
1220 Property Taxes - Delinquent	1,864,332	697,240	-
1230 Allowance for Uncollectible Taxes (Credit)	(93,217)	(34,862)	-
1240 Receivables from Other Governments	25,624	-	-
1260 Due from Other Funds	1,160,729	89,320	-
1290 Other Receivables	59,990	-	-
1300 Inventories	205,299	-	-
1410 Prepayments	918,894	-	-
1000 Total Assets	<u>\$ 50,215,081</u>	<u>\$ 6,338,105</u>	<u>\$ 1,059,900</u>
LIABILITIES			
2110 Accounts Payable	\$ 793,430	\$ -	\$ 629,620
2150 Payroll Deductions and Withholdings Payable	1,542,352	-	-
2160 Accrued Wages Payable	4,149,431	-	-
2170 Due to Other Funds	89,320	-	-
2180 Due to Other Governments	15,195,799	3,001,386	-
2200 Accrued Expenditures	75,509	-	-
2300 Unearned Revenues	6,460	-	-
2000 Total Liabilities	<u>21,852,301</u>	<u>3,001,386</u>	<u>629,620</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,678,231	617,646	-
2600 Total Deferred Inflows of Resources	<u>1,678,231</u>	<u>617,646</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	205,299	-	-
3430 Prepaid Items	918,894	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	2,719,073	-
Committed Fund Balance:			
3510 Construction	3,000,000	-	430,280
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	22,560,356	-	-
3000 Total Fund Balances	<u>26,684,549</u>	<u>2,719,073</u>	<u>430,280</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 50,215,081</u>	<u>\$ 6,338,105</u>	<u>\$ 1,059,900</u>

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

Child Nutrition Fund	Other Funds	Total Governmental Funds
\$ 1,302,439	\$ 957,532	\$ 54,979,708
-	-	2,561,572
-	-	(128,079)
92,107	1,336,101	1,453,832
-	-	1,250,049
-	6,581	66,571
200,447	-	405,746
-	6,472	925,366
<u>\$ 1,594,993</u>	<u>\$ 2,306,686</u>	<u>\$ 61,514,765</u>
\$ 181,339	\$ 70,976	\$ 1,675,365
-	-	1,542,352
95,410	173,573	4,418,414
-	1,160,729	1,250,049
-	-	18,197,185
-	-	75,509
216,333	164,141	386,934
<u>493,082</u>	<u>1,569,419</u>	<u>27,545,808</u>
-	-	2,295,877
-	-	2,295,877
161,166	-	366,465
-	-	918,894
940,745	-	940,745
-	-	2,719,073
-	-	3,430,280
-	737,267	737,267
-	-	22,560,356
<u>1,101,911</u>	<u>737,267</u>	<u>31,673,080</u>
<u>\$ 1,594,993</u>	<u>\$ 2,306,686</u>	<u>\$ 61,514,765</u>

This page left blank intentionally.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2013

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 31,673,080
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.	681,678,749
2 Accumulated depreciation has not been included in the governmental fund financial statements.	(121,940,467)
3 Bonds payable have not been included in the governmental fund financial statements.	(569,697,177)
4 Accreted interest for capital appreciation bonds have not been included in the governmental fund financial statements.	(12,229,334)
5 Unavailable revenue on property taxes in the fund financial statements was recorded as revenue in the district-wide financial statements.	2,295,877
6 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.	(1,056,868)
7 Bond issuance costs reported as an expenditure in the fund financial statements are capitalized in the district-wide financial statements.	5,184,196
8 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.	11,987,929
9 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.	(23,649,173)
19 Net Position of Governmental Activities	\$ 4,246,812

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, 2013

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 63,594,858	\$ 30,023,022	\$ 12,325
5800	State Program Revenues	61,307,725	-	-
5900	Federal Program Revenues	420,285	1,536,063	-
5020	Total Revenues	125,322,868	31,559,085	12,325
EXPENDITURES:				
Current:				
0011	Instruction	74,720,053	-	-
0012	Instructional Resources and Media Services	2,405,867	-	-
0013	Curriculum and Instructional Staff Development	1,323,161	-	-
0021	Instructional Leadership	1,260,287	-	-
0023	School Leadership	8,303,382	-	-
0031	Guidance, Counseling and Evaluation Services	5,602,329	-	-
0032	Social Work Services	66,216	-	-
0033	Health Services	1,516,091	-	-
0034	Student (Pupil) Transportation	4,288,982	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	4,753,312	-	-
0041	General Administration	4,009,839	-	-
0051	Facilities Maintenance and Operations	15,448,015	-	-
0052	Security and Monitoring Services	716,989	-	-
0053	Data Processing Services	2,055,724	-	-
0061	Community Services	71,449	-	-
Debt Service:				
0071	Principal on Long Term Debt	-	7,342,071	-
0072	Interest on Long Term Debt	-	24,665,105	-
0073	Bond Issuance Cost and Fees	-	921,834	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	5,331,164
Intergovernmental:				
0095	Payments to Juvenile Justice Alternative Ed. Prg.	125	-	-
0099	Other Intergovernmental Charges	563,013	-	-
6030	Total Expenditures	127,104,834	32,929,010	5,331,164
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,781,966)	(1,369,925)	(5,318,839)
OTHER FINANCING SOURCES (USES):				
7911	Capital Related Debt Issued (Reg & Refunding Bnds)	-	71,554,646	10,000,000
7912	Sale of Real and Personal Property	39,129	-	-
7916	Premium or Discount on Issuance of Bonds	-	10,351,671	-
8949	Other (Uses)	(114,239)	(80,548,999)	-
7080	Total Other Financing Sources (Uses)	(75,110)	1,357,318	10,000,000
EXTRAORDINARY ITEMS:				
7919	Extraordinary Item - Insurance Recovery	49,651	-	-
1200	Net Change in Fund Balances	(1,807,425)	(12,607)	4,681,161
0100	Fund Balance - September 1 (Beginning)	28,491,974	2,731,680	(4,250,881)
3000	Fund Balance - August 31 (Ending)	\$ 26,684,549	\$ 2,719,073	\$ 430,280

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

	Child Nutrition Fund	Other Funds	Total Governmental Funds
\$	3,557,871	\$ 1,227,098	\$ 98,415,174
	38,913	863,761	62,210,399
	3,970,096	4,562,201	10,488,645
	7,566,880	6,653,060	171,114,218
	-	5,657,664	80,377,717
	-	161,176	2,567,043
	-	164,195	1,487,356
	-	60,571	1,320,858
	-	73,512	8,376,894
	-	141,117	5,743,446
	-	-	66,216
	-	5,681	1,521,772
	-	-	4,288,982
	6,987,067	2,799	6,989,866
	-	317,602	5,070,914
	-	1,258	4,011,097
	-	-	15,448,015
	-	-	716,989
	-	1,194	2,056,918
	-	9,695	81,144
	-	-	7,342,071
	-	-	24,665,105
	-	-	921,834
	-	9,998	5,341,162
	-	-	125
	-	-	563,013
	6,987,067	6,606,462	178,958,537
	579,813	46,598	(7,844,319)
	-	-	81,554,646
	-	-	39,129
	-	-	10,351,671
	-	-	(80,663,238)
	-	-	11,282,208
	-	-	49,651
	579,813	46,598	3,487,540
	522,098	690,669	28,185,540
\$	1,101,911	\$ 737,267	\$ 31,673,080

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, 2013

Total Net Change in Fund Balances - Governmental Funds	\$ 3,487,540
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.	5,629,050
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources.	(13,333,014)
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.	7,342,071
Current year increase in the accretion on capital appreciation bonds is not reflected in the governmental fund financial statements, but is shown as increases in accreted interest on the district-wide financial statements.	(365,140)
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.	20,604
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.	822,984
Current year amortization of bond issuance costs is not recognized in the fund financial statements, but is shown as a reduction to the bond issuance costs asset in the government-wide financial statements.	(214,830)
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.	(443,316)
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.	(81,554,646)
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.	80,548,999
Bond issuance costs are expenditures in the fund financial statements, but are capitalized in the government-wide financial statements.	915,111

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, 2013

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.	(10,351,671)
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.	43,050
Change in Net Position of Governmental Activities	<u>\$ (7,453,208)</u>

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, 2013

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	\$ 64,995,333	\$ 63,897,436	\$ 63,594,858	\$ (302,578)
5800 State Program Revenues	58,667,312	61,260,333	61,307,725	47,392
5900 Federal Program Revenues	470,000	560,000	420,285	(139,715)
5020 Total Revenues	124,132,645	125,717,769	125,322,868	(394,901)
EXPENDITURES:				
Current:				
0011 Instruction	75,444,507	75,671,165	74,720,053	951,112
0012 Instructional Resources and Media Services	2,365,588	2,517,854	2,405,867	111,987
0013 Curriculum and Instructional Staff Development	1,324,617	1,408,063	1,323,161	84,902
0021 Instructional Leadership	1,007,663	1,367,010	1,260,287	106,723
0023 School Leadership	8,117,447	8,469,008	8,303,382	165,626
0031 Guidance, Counseling and Evaluation Services	5,783,407	5,715,156	5,602,329	112,827
0032 Social Work Services	70,896	71,239	66,216	5,023
0033 Health Services	1,426,571	1,583,829	1,516,091	67,738
0034 Student (Pupil) Transportation	4,207,862	4,347,862	4,288,982	58,880
0036 Extracurricular Activities	4,628,757	4,971,503	4,753,312	218,191
0041 General Administration	3,995,329	4,185,024	4,009,839	175,185
0051 Facilities Maintenance and Operations	14,900,473	16,141,461	15,448,015	693,446
0052 Security and Monitoring Services	738,485	826,961	716,989	109,972
0053 Data Processing Services	2,150,140	2,172,746	2,055,724	117,022
0061 Community Services	108,603	88,202	71,449	16,753
Capital Outlay:				
0081 Facilities Acquisition and Construction	3,447	-	-	-
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed.	40,000	125	125	-
0099 Other Intergovernmental Charges	600,000	563,500	563,013	487
6030 Total Expenditures	126,913,792	130,100,708	127,104,834	2,995,874
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,781,147)	(4,382,939)	(1,781,966)	2,600,973
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	40,000	39,129	(871)
8949 Other (Uses)	-	(117,273)	(114,239)	3,034
7080 Total Other Financing Sources (Uses)	-	(77,273)	(75,110)	2,163
EXTRAORDINARY ITEMS:				
7919 Extraordinary Item - Insurance Recovery	-	100,873	49,651	(51,222)
1200 Net Change in Fund Balances	(2,781,147)	(4,359,339)	(1,807,425)	2,551,914
0100 Fund Balance - September 1 (Beginning)	28,491,974	28,491,974	28,491,974	-
3000 Fund Balance - August 31 (Ending)	\$ 25,710,827	\$ 24,132,635	\$ 26,684,549	\$ 2,551,914

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, 2013

	Business-Type Activities
	Total Enterprise Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 73,158
Prepayments	5,993
Total Assets	79,151
LIABILITIES	
Current Liabilities:	
Accrued Wages Payable	27,136
Total Liabilities	27,136
NET POSITION	
Unrestricted Net Position	52,015
Total Net Position	\$ 52,015

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, 2013

	Business-Type Activities
	Total Enterprise Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 737,417
Total Operating Revenues	<u>737,417</u>
OPERATING EXPENSES:	
Payroll Costs	659,624
Professional and Contracted Services	7,198
Supplies and Materials	18,252
Other Operating Costs	48,437
Capital Outlay	421
Total Operating Expenses	<u>733,932</u>
Operating Income	3,485
Total Net Position - September 1 (Beginning)	<u>48,530</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 52,015</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, 2013

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 737,417
Cash Payments for Payroll Costs	(660,888)
Cash Payments for Purchased Services	(7,198)
Cash Payments for Supplies and Materials	(19,696)
Cash Payments for Other Expenses	(48,437)
Cash Payments for Capital Outlay	(421)
Net Cash Provided by Operating Activities	<u>777</u>
Net Increase in Cash and Cash Equivalents	777
Cash and Cash Equivalents at Beginning of Year	<u>72,381</u>
Cash and Cash Equivalents at End of Year	<u>\$ 73,158</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 3,485
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Prepayments	(994)
Increase (decrease) in Accounts Payable	(450)
Increase (decrease) in Accrued Wages Payable	(1,264)
Net Cash Provided by Operating Activities	<u>\$ 777</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, 2013

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 375,474
Total Assets	<u>\$ 375,474</u>
LIABILITIES	
Due to Student Groups	\$ 375,474
Total Liabilities	<u>\$ 375,474</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, 2013

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, 2013

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, 2013

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
Student Success Initiative - funds granted for teacher training and students needing reading education
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
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

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.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", all enterprise funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, enterprise funds will have the option of either 1) choosing not to apply future FASB standards (including amendments or earlier pronouncements), or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB guidance). The District has chosen not to apply future FASB standards.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

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 90-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 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.

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.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

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 20th 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 or 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 1st 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, 2012). 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, 2013

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, 2013 totaled \$39,281.

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, 2013

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 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, 2013

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 2013, 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, 2013 through January 20, 2014, which is the date the financial statements were available to be issued. One subsequent event was identified that is required to be disclosed in the financial statements and is described in Note 22.

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.

NOTE 2. ADOPTION OF NEW ACCOUNTING STANDARDS

Beginning in 2013, the District implemented GASB Statement Numbers 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement:

- Defined transactions that result in the consumption of net assets in one period that are applicable to a future period as "deferred outflows of resources."

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

- Defined transactions that result in the acquisition of net assets in one period that are applicable to a future period as “deferred inflows of resources.”
- Defined the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as “net position.”
- Required certain items previously reported as assets and liabilities that meet the definition of deferred outflows or inflows of resources to be retroactively reclassified in the Statements of Net Position and Balance Sheets, if practical, for all prior periods presented.

The effects of this change in accounting principle on the District’s 2013 financial statements were

- Governmental fund financial statements
 - Record property taxes uncollected within 60 days of the fiscal year-end, and therefore unavailable, as deferred inflows of resources in the governmental fund financial statements.
- Government-wide financial statements
 - For refunded debt, record the difference between the reacquisition price and the net carrying amount of the refunded debt as a deferred resource outflow or inflow, as appropriate, and amortize the balance as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. Accordingly, all unamortized deferred losses on refunding transactions as of August 31, 2013 were reclassified as deferred outflows of resources.

NOTE 3. FUND BALANCE

During the year ended August 31, 2011, the District implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” 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.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

- 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, 2013 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 as of August 31, 2013.
- 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.

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 \$22,560,356 at August 31, 2013. Prepaid expenditures (prepaid items) of \$918,894 and inventories of \$205,299 are considered nonspendable fund balance. The District has committed general fund fund balance resources of \$3,000,000 for construction as of August 31, 2013.

Other Major Funds

The Debt Service Fund has restricted funds of \$2,719,073 at August 31, 2013 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. \$940,745 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 (\$161,166).

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

Other Funds

The fund balance of \$737,267 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. The Capital Project fund has a fund balance of \$430,280 at August 31, 2013, consisting primarily of unspent bond proceeds.

NOTE 4. 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, 2013, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$6,701,561 and the bank balance was \$7,270,225. The District's cash deposits at August 31, 2013 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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, 2013, the District's cash balances totaled \$7,270,225. 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, 2013, the District held all of its investments in two public funds investment pools (Lone Star and TexPool). 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.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

- 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 was AA Af (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 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, 2013, 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.

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, 2013, are shown below:

Name	Carrying Amount	Fair Value
TexPool	\$22,066,318	\$22,066,318
Lone Star	<u>26,623,982</u>	<u>26,623,982</u>
Total	<u>\$48,690,300</u>	<u>\$48,690,300</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2013, 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	\$ 29,478,767	\$ -	\$ -	\$ 29,478,767
Construction in Progress	<u>207,735,131</u>	<u>5,206,653</u>	<u>(211,557,350)</u>	<u>1,384,434</u>
Total capital assets, not being depreciated	<u>237,213,898</u>	<u>5,206,653</u>	<u>(211,557,350)</u>	<u>30,863,201</u>
Capital assets, being depreciated:				
Buildings and Improvements	409,563,790	196,083,121	-	605,646,911
Furniture and Equipment	<u>29,272,011</u>	<u>15,896,626</u>	<u>-</u>	<u>45,168,637</u>
Total capital assets, being depreciated	<u>438,835,801</u>	<u>211,979,747</u>	<u>-</u>	<u>650,815,548</u>
Less accumulated depreciation for:				
Buildings and Improvements	(94,148,929)	(9,094,218)	-	(103,243,147)
Furniture and Equipment	<u>(14,458,524)</u>	<u>(4,238,796)</u>	<u>-</u>	<u>(18,697,320)</u>
Total accumulated depreciation	<u>(108,607,453)</u>	<u>(13,333,014)</u>	<u>-</u>	<u>(121,940,467)</u>
Total capital assets being depreciated, net	<u>330,228,348</u>	<u>198,646,733</u>	<u>-</u>	<u>528,875,081</u>
Governmental activities capital assets, net	<u>\$ 567,442,246</u>	<u>\$203,853,386</u>	<u>\$(211,557,350)</u>	<u>\$ 559,738,282</u>

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

Governmental activities:	
Instruction	\$ 8,993,151
Instructional Resources & Media Services	235,571
Curriculum & Instructional Staff Development	115,428
Instructional Leadership	146,156
School Leadership	962,369
Guidance, Counseling & Evaluation Services	662,431
Social Work Services	7,226
Health Services	173,696
Food Services	326,843
Cocurricular/Extracurricular Activities	353,119
General Administration	345,854
Plant Maintenance and Operations	829,206
Data Processing Services	24,203
Security & Monitoring Services	<u>157,761</u>
Total depreciation expense-Governmental activities	<u>\$13,333,014</u>

Land and construction in progress are not depreciated.

NOTE 6. 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 nineteen series of general obligation bonds, 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.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2013:

Description	Interest Rate Payable	Amount Original Issue	Amounts Outstanding 9/1/12	Additions	Refunded/ Retired	Amounts Outstanding 8/31/13	Due Within One Year
Bonded Indebtedness:							
2002A Bldg/Refunding	2.74-5.77%	75,445,000	\$ 6,466,927	\$ -	\$ 3,683,899	\$ 2,783,028	\$ 313,419
2004 Building	3.40-5.00%	9,000,000	6,040,000	-	6,040,000	-	-
2005A Bldg/Refunding	2.92-5.00%	19,788,088	13,635,000	-	9,275,000	4,360,000	725,000
2005B Refunding	2.50-4.00%	4,795,000	2,205,000	-	700,000	1,505,000	735,000
2005C Refunding	2.65-5.00%	24,055,000	18,920,000	-	3,005,000	15,915,000	3,120,000
2006 Building	3.50-5.00%	59,375,000	54,640,000	-	53,395,000	1,245,000	-
2006A Building	4.00-5.00%	68,500,000	62,740,000	-	1,275,000	61,465,000	1,330,000
2006B Refunding	3.68-4.45%	76,424,511	76,185,000	-	15,000	76,170,000	15,000
2007 Building	4.25-5.00%	90,550,000	86,755,000	-	2,955,000	83,800,000	400,000
2008 Building	3.25-5.41%	97,450,000	94,385,000	-	100,000	94,285,000	100,000
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	6,100,000	-	-	6,100,000	415,000
2011 Building	Variable	55,000,000	55,000,000	-	-	55,000,000	-
2011 Refunding	2.00-4.00%	6,560,000	5,815,000	-	300,000	5,515,000	690,000
2011A Refunding	0.930%	95,000	95,000	-	95,000	-	-
2012A Refunding	1.25-4.00%	9,149,646	-	9,149,646	-	9,149,646	-
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	-	53,800,000	-
2013B Refunding	0.92-3.50%	8,605,000	-	8,605,000	-	8,605,000	-
Total Bonded Indebtedness			<u>568,981,430</u>	<u>81,554,646</u>	<u>80,838,899</u>	<u>569,697,177</u>	<u>7,843,419</u>
Premiums/Discounts on Bond Issuance			14,120,486	10,351,671	822,984	23,649,173	1,267,316
Accreted Interest (as restated)			<u>11,864,194</u>	<u>1,023,069</u>	<u>657,929</u>	<u>12,229,334</u>	<u>432,501</u>
Total Other Obligations			<u>25,984,680</u>	<u>11,374,740</u>	<u>1,480,913</u>	<u>35,878,507</u>	<u>1,699,817</u>
Total Obligations of District			<u>\$594,966,110</u>	<u>\$ 92,929,386</u>	<u>\$82,319,812</u>	<u>\$605,575,684</u>	<u>\$ 9,543,236</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 2.50% interest rate on the Series 2011 variable rate bonds until July 31, 2014. For purposes of the debt service requirements disclosed in Note 6, 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, 2013.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

NOTE 7. DEBT SERVICE REQUIREMENTS - BONDS

Debt service requirements to maturity are as follows:

<u>Year Ended</u> <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2014	\$ 7,843,419	\$ 24,656,433	\$ 32,499,852
2015	9,936,445	27,233,207	37,169,652
2016	11,578,938	26,389,457	37,968,395
2017	11,090,000	26,855,989	37,945,989
2018	10,790,000	28,192,214	38,982,214
2019-2023	75,047,261	129,403,983	204,451,244
2024-2028	105,826,210	101,858,072	207,684,282
2029-2033	129,809,904	73,740,164	203,550,068
2034-2038	77,065,000	44,109,962	121,174,962
2039-2043	61,650,000	25,693,793	87,343,793
2044-2048	55,815,000	11,956,000	67,771,000
2049-2050	13,245,000	1,001,500	14,246,500
	<u>\$569,697,177</u>	<u>\$521,090,774</u>	<u>\$1,090,787,951</u>

NOTE 8. DEFEASED BONDS OUTSTANDING

On October 25, 2012, the District issued \$8,255,000 (par value) in unlimited tax refunding bonds (current interest bonds) with interest rates ranging from 1.25% to 4.00% and \$894,646 (par value) in unlimited tax refunding bonds (capital appreciation bonds) with an interest rates ranging from 1.88% to 2.68% to advance refund \$9,361,828 of unlimited tax school building bonds. The unlimited tax refunding bonds were issued at a net premium of \$900,316, and, after paying issuance costs of \$153,522, the net proceeds were \$9,896,440. 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 \$1,782,843 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,523,311.

On May 2, 2013, the District issued \$62,305,000 (par value) in unlimited tax refunding bonds (current interest bonds) with interest rates ranging from 2.00% to 5.00% and \$100,000 (par value) in unlimited tax refunding bonds (capital appreciation bonds) with an interest rate of 0.92% to advance refund \$64,135,000 of unlimited tax school building bonds. The unlimited tax refunding bonds were issued at a net premium of \$8,886,655, and, after paying issuance costs of \$639,095, the net proceeds were \$70,652,560. 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 \$5,616,238 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$5,287,259.

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

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, 2013, \$173,801,338 of bonds outstanding are considered defeased.

NOTE 9. 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 \$563,013 in fiscal year 2013 for appraising property.

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 2012-13 fiscal year was based was \$5,959,427,468. 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, 2013, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.50 per \$100 valuation, respectively, for a total of \$1.54 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2013 were 99.07% 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, 2013, property taxes receivable, net of estimated uncollectible taxes, totaled \$1,771,115 and \$662,378 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.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

NOTE 10. PENSION PLAN OBLIGATIONS

Plan Description - The District contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 233-8778.

A member is eligible to retire and receive normal retirement benefits on or after age 50 with 30 years of credited service, or at or after age 60 with 20 years of credited service, or at or after age 65 with 5 years of credited service. The normal retirement benefit is payable monthly for life, and is equal to 2.3 percent of their final-average salary for each year of credited service. A member is eligible to retire and receive reduced retirement benefits after reaching the age of 55 with 5 years of service, or at any age with 30 years of service. A member is fully vested after 5 years of creditable service and entitled to any benefit for which eligibility requirements have been met.

Funding Policy - Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.4% of the District's covered payroll (6.0% in fiscal year 2012 and 6.644% in fiscal year 2011). In certain instances the District is required to make all or a portion of the state's 6.4% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's 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. The District's employees' contributions to the System for the years ending August 31, 2011, 2012, and 2013 were \$5,892,971, \$5,798,081 and \$6,077,701, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2011, 2012, and 2013 were \$1,414,124, \$1,233,425 and \$1,431,355, respectively, equal to the required contributions for each year. The amounts contributed by the State, for the years ended August 31, 2011, 2012, and 2013 were \$4,703,517, \$4,901,272 and \$4,923,702, respectively, and are reflected in the financial statements in the General Fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the separately issued Teacher Retirement System of Texas Comprehensive Annual Financial Statements.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

NOTE 11. 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, 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 0.5% (1.0% prior to September 1, 2012) and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2012 and 2011. 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, 2013, 2012, and 2011, the State's contributions to the TRS-Care were \$474,820, \$905,950, and \$920,776, respectively, the active member contributions were \$308,633, \$588,868, and \$598,504, respectively, and the school district's contribution were \$261,151, \$498,272, and \$506,427, 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, 2013, the contribution made on behalf of the District was \$265,828.

NOTE 12. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2013, 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	\$ 201,325	\$ -
IDEA - Part B, Formula	784,759	-
IDEA - Part B, Preschool	2,260	-
ESEA Title II Training and Recruiting	78,029	-
ESEA Title III English Lang Acquisition	37,665	-
Student Success Initiative	56,691	-
Total	1,160,729	-
Debt Service Fund	89,320	-
Total General Fund	1,250,049	-

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
<u>Special Revenue Fund</u>		
General Fund	-	1,160,729
Total Special Revenue Fund	-	1,160,729
<u>Debt Service Fund</u>		
General Fund	-	89,320
Total Debt Service Fund	-	89,320
Total	<u>\$1,250,049</u>	<u>\$1,250,049</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. There were no interfund transfers during the year ended August 31, 2013.

NOTE 13. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2013, 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	\$1,864,332	\$ 25,624	\$1,160,729	\$59,990	\$3,110,675
Debt Service Fund	697,240	-	89,320	-	786,560
Special Revenue Fund	-	1,428,208	-	6,581	1,434,789
Total - Governmental Activities	<u>\$2,561,572</u>	<u>\$1,453,832</u>	<u>\$1,250,049</u>	<u>\$66,571</u>	<u>\$5,332,024</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 128,079</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,079</u>

Payables at August 31, 2013, 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>Other</u>	<u>Total Payables</u>
Governmental Activities:						
General Fund	\$ 793,430	\$5,691,783	\$ 89,320	\$15,195,799	\$75,509	\$21,770,332
Debt Service Fund	-	-	-	3,001,386	-	3,001,386
Capital Projects Fund	629,620	-	-	-	-	629,620
Special Revenue Funds	252,315	268,983	1,160,729	-	-	1,682,027
Total-Governmental Activities	<u>\$1,675,365</u>	<u>\$5,960,766</u>	<u>\$1,250,049</u>	<u>\$18,197,185</u>	<u>\$75,509</u>	<u>\$27,083,365</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

Detail of the Due to Other Governments balance of \$15,195,799 in the general fund at August 31, 2013 is as follows:

2012/13 Foundation overpayment balance per the 9/10/13 near-final Summary of Finance	\$16,746,319
Plus additional overpayment per the 9/24/13 near-final Summary of Finance	21,764
Less Foundation accrual for August, 2013 days of instruction	(1,460,881)
Less Per Capita accrual for August, 2013 days of instruction	<u>(120,916)</u>
Subtotal	15,186,286
Old outstanding checks due to State as unclaimed property	8,184
Sales tax collections due to State	<u>1,329</u>
Total	<u>\$15,195,799</u>

NOTE 14. 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, 2013, 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.

Fund	County Tax Collections in Transit	State Entitlements	Federal Grants	Total
General	\$ 25,624	\$ -	\$ -	\$ 25,624
Special Revenue	<u>-</u>	<u>56,691</u>	<u>1,371,517</u>	<u>1,428,208</u>
Total	<u>\$ 25,624</u>	<u>\$ 56,691</u>	<u>\$1,371,517</u>	<u>\$1,453,832</u>

NOTE 15. 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, 2013, the estimated rebate liability on outstanding bond series was \$0.

NOTE 16. 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.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

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 17. 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	\$62,100,395	\$ -	\$29,857,832	\$ -	\$91,958,227
Investment Income	84,681	2,101	30,002	12,325	129,109
Food Sales	-	3,555,771	-	-	3,555,771
Penalties, interest and other tax related income	384,749	-	135,188	-	519,937
Co-curricular student activities	322,272	1,199,206	-	-	1,521,478
Tuition and fees	241,391	-	-	-	241,391
Gifts and bequests	31,500	27,891	-	-	59,391
Facilities rentals	148,005	-	-	-	148,005
Energy incentive rebates	72,134	-	-	-	72,134
Gas royalties	72,509	-	-	-	72,509
Other	137,222	-	-	-	137,222
Total	<u>\$63,594,858</u>	<u>\$4,784,969</u>	<u>\$30,023,022</u>	<u>\$ 12,325</u>	<u>\$98,415,174</u>

NOTE 18. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Athletic season tickets	\$ 6,460	\$ -	\$ -	\$ 6,460
Lunchroom receipts	-	177,052	-	177,052
Food Commodities	-	39,281	-	39,281
Medicaid Admin Claim (MAC)	-	11,993	-	11,993
Read to Succeed	-	1,235	-	1,235
State Textbook Fund	-	109,038	-	109,038
Gen Youth Foundation	-	238	-	238
AP Campus Awards	-	12,934	-	12,934
AP Incentives	-	2,026	-	2,026
Cargill Donation Fund	-	26,064	-	26,064
Dairy Max Foundation	-	613	-	613
	<u>\$ 6,460</u>	<u>\$380,474</u>	<u>\$ -</u>	<u>\$386,934</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

NOTE 19. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2013, as follows:

Year Ending <u>August 31,</u>	
2014	\$ 445,153
2015	412,625
2016	120,700
2017	92,704
2018	<u>61,759</u>
Total Minimum Rentals	<u>\$1,132,941</u>
Rental Expenditures in Fiscal Year 2013	<u>\$ 498,132</u>

NOTE 20. 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 category for the year ended August 31, 2013.

NOTE 21. 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, 2013, the District contributed \$125 to the fiscal agent as its share of the costs of the joint venture.

NOTE 22. SUBSEQUENT EVENT

On September 7, 2013, voters in the District approved the restructuring of the District's tax rate in a tax ratification election. With the passage of the election, the 2013-2014 combined tax rate remained the same as the prior tax rate of \$1.54 per \$100 taxable assessed value, but the allocation of the tax rate between maintenance and operations (M & O) and interest and sinking (I & S) has been restructured.

NOTE 23. PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$5,013,083 on the government-wide statement of activities represents a correction of the prior period accreted interest recorded as long-term debt.

COMBINING SCHEDULES

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes		211	224	225	244
		ESEA I, A Improving Basic Program	IDEA - Part B Formula	IDEA - Part B Preschool	Career and Technical - Basic Grant
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	239,680	922,603	3,353	-
1290	Other Receivables	-	-	-	-
1410	Prepayments	-	-	-	-
1000	Total Assets	<u>\$ 239,680</u>	<u>\$ 922,603</u>	<u>\$ 3,353</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ 3,230	\$ 5,041	\$ -	\$ -
2160	Accrued Wages Payable	35,125	132,803	1,093	-
2170	Due to Other Funds	201,325	784,759	2,260	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>239,680</u>	<u>922,603</u>	<u>3,353</u>	<u>-</u>
FUND BALANCES					
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 239,680</u>	<u>\$ 922,603</u>	<u>\$ 3,353</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	404 Student Success Initiative	410 State Textbook Fund
\$ -	\$ -	\$ 5,412	\$ -	\$ -	\$ 2,026	\$ -	\$ 111,368
76,109	37,665	-	-	-	-	56,691	-
-	-	6,581	-	-	-	-	-
6,472	-	-	-	-	-	-	-
<u>\$ 82,581</u>	<u>\$ 37,665</u>	<u>\$ 11,993</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,026</u>	<u>\$ 56,691</u>	<u>\$ 111,368</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,330
4,552	-	-	-	-	-	-	-
78,029	37,665	-	-	-	-	56,691	-
-	-	11,993	-	-	2,026	-	109,038
<u>82,581</u>	<u>37,665</u>	<u>11,993</u>	<u>-</u>	<u>-</u>	<u>2,026</u>	<u>56,691</u>	<u>111,368</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 82,581</u>	<u>\$ 37,665</u>	<u>\$ 11,993</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,026</u>	<u>\$ 56,691</u>	<u>\$ 111,368</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes		429 Other State Special Revenue Funds	461 Campus Activity Funds	481 Cargill Donaton Fund	482 Gen Youth Foundation
ASSETS					
1110	Cash and Cash Equivalents	\$ 14,169	\$ 797,316	\$ 26,064	\$ 238
1240	Receivables from Other Governments	-	-	-	-
1290	Other Receivables	-	-	-	-
1410	Prepayments	-	-	-	-
1000	Total Assets	<u>\$ 14,169</u>	<u>\$ 797,316</u>	<u>\$ 26,064</u>	<u>\$ 238</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 60,049	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	-	-
2300	Unearned Revenues	14,169	-	26,064	238
2000	Total Liabilities	<u>14,169</u>	<u>60,049</u>	<u>26,064</u>	<u>238</u>
FUND BALANCES					
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	737,267	-	-
3000	Total Fund Balances	<u>-</u>	<u>737,267</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 14,169</u>	<u>\$ 797,316</u>	<u>\$ 26,064</u>	<u>\$ 238</u>

483 Meadows Foundation	484 Dairy Max Foundation	Total Nonmajor Governmental Funds
\$ 326	\$ 613	\$ 957,532
-	-	1,336,101
-	-	6,581
-	-	6,472
<u>\$ 326</u>	<u>\$ 613</u>	<u>\$ 2,306,686</u>
\$ 326	\$ -	\$ 70,976
-	-	173,573
-	-	1,160,729
-	613	164,141
<u>326</u>	<u>613</u>	<u>1,569,419</u>
-	-	737,267
-	-	737,267
<u>\$ 326</u>	<u>\$ 613</u>	<u>\$ 2,306,686</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, 2013

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
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	950,955	3,065,059	20,261	134,335
5020	Total Revenues	950,955	3,065,059	20,261	134,335
EXPENDITURES:					
Current:					
0011	Instruction	879,851	2,918,684	20,261	134,335
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	7,538	3,275	-	-
0021	Instructional Leadership	58,871	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	137,419	-	-
0033	Health Services	-	5,681	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	4,695	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
6030	Total Expenditures	950,955	3,065,059	20,261	134,335
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

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	404 Student Success Initiative	410 State Textbook Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	10,724	16,905	60,253	775,879
189,581	190,856	-	11,154	-	-	-	-
189,581	190,856	-	11,154	10,724	16,905	60,253	775,879
86,225	154,781	-	11,154	10,724	-	60,253	775,879
-	-	-	-	-	-	-	-
101,656	31,075	-	-	-	16,905	-	-
1,700	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	5,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-
189,581	190,856	-	11,154	10,724	16,905	60,253	775,879
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2013

Data Control Codes		429 Other State Special Revenue Funds	461 Campus Activity Funds	481 Cargill Donaton Fund	482 Gen Youth Foundation
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ 1,203,111	\$ 6,642	\$ 13,046
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	-	1,203,111	6,642	13,046
EXPENDITURES:					
Current:					
0011	Instruction	-	585,829	6,642	13,046
0012	Instructional Resources and Media Services	-	161,176	-	-
0013	Curriculum and Instructional Staff Development	-	3,746	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	73,512	-	-
0031	Guidance, Counseling and Evaluation Services	-	3,698	-	-
0033	Health Services	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	316,102	-	-
0041	General Administration	-	1,258	-	-
0053	Data Processing Services	-	1,194	-	-
0061	Community Services	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	9,998	-	-
6030	Total Expenditures	-	1,156,513	6,642	13,046
1200	Net Change in Fund Balance	-	46,598	-	-
0100	Fund Balance - September 1 (Beginning)	-	690,669	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 737,267	\$ -	\$ -

483 Meadows Foundation	484 Dairy Max Foundation	Total Nonmajor Governmental Funds
\$ 1,500	\$ 2,799	\$ 1,227,098
-	-	863,761
-	-	4,562,201
1,500	2,799	6,653,060
-	-	5,657,664
-	-	161,176
-	-	164,195
-	-	60,571
-	-	73,512
-	-	141,117
-	-	5,681
-	2,799	2,799
1,500	-	317,602
-	-	1,258
-	-	1,194
-	-	9,695
-	-	9,998
1,500	2,799	6,606,462
-	-	46,598
-	-	690,669
\$ -	\$ -	\$ 737,267

This page left blank intentionally.

REQUIRED T.E.A. SCHEDULES

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ Various
2005	1.317500	0.332500	3,282,872,826
2006	1.292000	0.342500	4,010,283,496
2007	1.185000	0.350000	4,907,000,912
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 (School year under audit)	1.040000	0.500000	5,959,427,468
1000 TOTALS			

(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$ 652,909	\$ -	\$ 2,140	\$ 451	\$ (5,106)	\$ 645,212
121,295	-	460	116	(614)	120,105
83,758	-	1,049	278	(554)	81,877
82,101	-	3,310	978	(373)	77,440
101,667	-	17,908	7,429	168	76,498
156,628	-	31,776	14,997	9,681	119,536
251,882	-	47,644	22,488	(28,497)	153,253
358,111	-	149,777	75,204	10,371	143,501
826,665	-	445,209	216,120	124,524	289,860
-	91,775,183	61,401,122	29,519,771	-	854,290
<u>\$ 2,635,016</u>	<u>\$ 91,775,183</u>	<u>\$ 62,100,395</u>	<u>\$ 29,857,832</u>	<u>\$ 109,600</u>	<u>\$ 2,561,572</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015
GENERAL AND SPECIAL REVENUE FUNDS
AUGUST 31, 2013

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ 1,237	\$ -	\$ 360,349	\$ 2,504,418	\$ -	\$ -	\$ 2,866,004
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	316,609	-	-	-	316,609
6212	Audit Services	-	-	-	42,000	-	-	42,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	600,811	-	-	-	-	600,811
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	800	-	6,004	-	-	-	6,804
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	41,170	-	-	41,170
6290	Miscellaneous Contr.	-	-	65,928	258,683	-	-	324,611
6320	Textbooks and Reading	-	-	230	6,152	-	-	6,382
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	264	-	3,353	90,594	-	-	94,211
6410	Travel, Subsistence, Stipends	8,907	-	3,610	60,455	-	-	72,972
6420	Ins. and Bonding Costs	-	-	-	64,277	-	-	64,277
6430	Election Costs	33,668	-	-	-	-	-	33,668
6490	Miscellaneous Operating	10,551	-	26,382	65,649	-	-	102,582
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	2,009	2,009
6000	TOTAL	\$ 55,427	\$ 600,811	\$ 782,465	\$ 3,133,398	\$ -	\$ 2,009	\$ 4,574,110

Total expenditures/expenses for General and Special Revenue Funds:

(9) \$ 140,698,364

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600) (10) \$ 1,095,928

Total Debt & Lease(6500) (11) -

Plant Maintenance (Function 51, 6100-6400) (12) 15,399,875

Food (Function 35, 6341 and 6499) (13) 3,159,908

Stipends (6413) (14) -

Column 4 (above) - Total Indirect Cost 3,133,398

SubTotal:

22,789,109

Net Allowed Direct Cost

\$ 117,909,255

CUMULATIVE

Total Cost of Buildings before Depreciation (1520) (15) \$ 605,646,911

Historical Cost of Building over 50 years old (16) \$ -

Amount of Federal Money in Building Cost (Net of #16) (17) \$ -

Total Cost of Furniture & Equipment before Depreciation (1530 & 1540) (18) \$ 45,168,637

Historical Cost of Furniture & Equipment over 16 years old (19) \$ -

Amount of Federal Money in Furniture & Equipment (Net of #19) (20) \$ -

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.

\$563,013 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND AS OF AUGUST 31, 2013

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 8/31/13 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 26,684,549
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 1,124,193	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	3,000,000	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	5,523,409	
7	Estimate of two month's average cash disbursements during the fiscal year.	22,004,306	
8	Estimate of delayed payments from state sources (58xx).	-	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	-	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>31,651,908</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u>\$ (4,967,359)</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2013

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	\$ 3,244,048	\$ 3,569,048	\$ 3,557,871	\$ (11,177)
5800	State Program Revenues	38,207	38,913	38,913	-
5900	Federal Program Revenues	3,596,437	4,089,225	3,970,096	(119,129)
5020	Total Revenues	6,878,692	7,697,186	7,566,880	(130,306)
EXPENDITURES:					
0035	Food Services	7,160,450	7,615,450	6,987,067	628,383
6030	Total Expenditures	7,160,450	7,615,450	6,987,067	628,383
1200	Net Change in Fund Balances	(281,758)	81,736	579,813	498,077
0100	Fund Balance - September 1 (Beginning)	522,098	522,098	522,098	-
3000	Fund Balance - August 31 (Ending)	\$ 240,340	\$ 603,834	\$ 1,101,911	\$ 498,077

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2013

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	\$ 30,404,271	\$ 30,034,271	\$ 30,023,022	\$ (11,249)
5900	Federal Program Revenues	1,605,921	1,536,064	1,536,063	(1)
5020	Total Revenues	32,010,192	31,570,335	31,559,085	(11,250)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	8,462,072	7,342,072	7,342,071	1
0072	Interest on Long Term Debt	25,269,853	24,665,106	24,665,105	1
0073	Bond Issuance Cost and Fees	150,000	1,036,254	921,834	114,420
6030	Total Expenditures	33,881,925	33,043,432	32,929,010	114,422
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,871,733)	(1,473,097)	(1,369,925)	103,172
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Reg & Refunding)	-	71,554,647	71,554,646	(1)
7916	Premium or Discount on Issuance of Bonds	-	10,351,672	10,351,671	(1)
8949	Other (Uses)	-	(80,549,000)	(80,548,999)	1
7080	Total Other Financing Sources (Uses)	-	1,357,319	1,357,318	(1)
1200	Net Change in Fund Balances	(1,871,733)	(115,778)	(12,607)	103,171
0100	Fund Balance - September 1 (Beginning)	2,731,680	2,731,680	2,731,680	-
3000	Fund Balance - August 31 (Ending)	\$ 859,947	\$ 2,615,902	\$ 2,719,073	\$ 103,171

This page left blank intentionally.

FEDERAL AWARDS SECTION

This page left blank intentionally.

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, 2013, 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 20, 2014.

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, PC
Denton, Texas

January 20, 2014

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

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 Circular A-133 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, 2013. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2013.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



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

January 20, 2014

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unqualified.
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: Unqualified.
6. Did the audit disclose findings which are required to be reported under Section .510(a)2-7 of OMB Circular A-133: No
7. Major programs include:
10.553, 10.555 Child Nutrition Cluster
CFDA 84.010A ESEA, Title I, Part A – Improving Basic Programs
8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
9. Low risk auditee: No

II. Findings Related to the Financial Statements

None

III. Other Findings

Finding 2013-1	Competitive bidding violation
Criteria	The District is required to obtain competitive bids for purchases in excess of \$50,000.
Condition Found	During the year ended August 31, 2013, the District contracted for the renovation of athletic tracks and tennis courts from a vendor in excess of \$50,000 without complying with the competitive bid requirement.
Instances/Universe	This was the only competitive bid violation noted during the year.
Recommendation	It appears that time limitations led to the decision to accept quotes for the project and bypass the competitive bid process. However, this does not meet the requirements of an emergency purchase. The District should strive to be in compliance with the competitive bid regulations in all its purchasing activity.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2013

CORRECTIVE ACTION PLAN

Contact Person Jim Schiele, Chief Financial Officer

FINDING Competitive bidding violation

CORRECTIVE
ACTION

The District is aware of the competitive bid regulations and strives to always be in compliance with their requirements. The District will continue to emphasize to employees involved in the purchasing process that the competitive bid regulations are to be followed at all times when required.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
ROTC	12.000	01-220918	\$ 60,497
Total Direct Programs			\$ 60,497
TOTAL DEPARTMENT OF DEFENSE			\$ 60,497
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12610101220918	\$ 61,451
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101220918	889,504
Total CFDA Number 84.010A			950,955
Total Title I, Part A Cluster			950,955
*IDEA - Part B, Formula	84.027	136600012209186600	2,929,324
*IDEA - Part B, Formula	84.027	146600012209186600	135,735
Total CFDA Number 84.027			3,065,059
*IDEA - Part B, Preschool	84.173	136610012209186610	20,261
Total Special Education Cluster (IDEA)			3,085,320
Career and Technical - Basic Grant	84.048	13420006220918	134,335
Title III, Part A - English Language Acquisition	84.365A	13671001220918	58,253
Title III, Part A - English Language Acquisition	84.365A	13671001220918	132,603
Total CFDA Number 84.365A			190,856
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12694501220918	3,532
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501220918	181,494
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501220918	4,555
Total CFDA Number 84.367A			189,581
Summer School LEP	84.369A	69551202	11,154
Total Passed Through State Department of Education			\$ 4,562,201
TOTAL DEPARTMENT OF EDUCATION			\$ 4,562,201
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401301	\$ 697,240
*National School Lunch Program - Cash Assistance	10.555	71301301	2,888,307
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301301	384,549
Total CFDA Number 10.555			3,272,856
Total Child Nutrition Cluster			3,970,096
Total Passed Through the State Department of Agriculture			\$ 3,970,096
TOTAL DEPARTMENT OF AGRICULTURE			\$ 3,970,096
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 8,592,794

*Clustered Programs

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2013

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, 2013, 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 of Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement – Provisional 6/97.
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	\$ 8,592,794
Indirect Costs	91,412
Medicaid Reimbursement	268,376
Federal Interest Subsidy-Bonds	<u>1,536,063</u>
Federal Revenues per Financial Statements	<u>\$10,488,645</u>