

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED AUGUST 31, 2014**

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2014

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CERTIFICATE OF BOARD

<u>Eagle Mountain-Saginaw Independent School District</u>	<u>Tarrant</u>
Name of School District	County

220-918  
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2014, at a meeting of the Board of Trustees of such school district on the 20<sup>th</sup> day of January, 2015.

  
Signature of Board Secretary

  
Signature of Board President

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

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**HANKINS, EASTUP, DEATON,  
TONN & SEAY**  
A PROFESSIONAL CORPORATION  

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**CERTIFIED PUBLIC ACCOUNTANTS**

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

**Independent Auditor's Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eagle Mountain-Saginaw Independent School District (the District), as of and for the year ended August 31, 2014, 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, 2014, and the respective changes in financial position and cash flows and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 7 through 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, 2015 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, 2015

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2014  
(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, 2014. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 17.

**FINANCIAL HIGHLIGHTS**

- The liabilities of Eagle Mountain-Saginaw Independent School District exceeded its assets and deferred outflows at the close of the most recent fiscal period by \$6,469,586 (net deficit position).
- The District's total net position decreased by \$5,532,202.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$38,057,549. Over 67% of this total amount (\$25,498,713) 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 of \$25,498,713 was 19.3% 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 \$(937,384) (after effect of the restatement) to \$(6,469,586). 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 \$17,523,869 at August 31, 2014. This decrease in governmental net position was the result of several factors. First, the District's revenues exceeded expenditures by \$12,550,741 (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 \$17,024,185. In addition, various adjustments totaling \$1,058,758 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 2014, net position of our business-type activities decreased by \$43,613. This decrease 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	
	2013	2014	2013	2014	2013	2014
Current and other assets	\$ 65,448,912	\$ 51,203,979	\$79,151	\$58,190	\$ 65,528,063	\$ 51,262,169
Capital assets	559,738,282	544,803,046	-	-	559,738,282	544,803,046
Total assets	625,187,194	596,007,025	79,151	58,190	625,266,345	596,065,215
Deferred outflows	11,987,929	13,169,467	-	-	11,987,929	13,169,467
Long-term liabilities	605,575,684	603,910,855	-	-	605,575,684	603,910,855
Other liabilities	27,352,627	11,735,223	27,136	49,788	27,379,763	11,785,011
Total liabilities	632,928,311	615,646,078	27,136	49,788	632,955,447	615,695,866
Net Position:						
Net investment in capital assets	(21,620,139)	(29,276,280)	-	-	(21,620,139)	(29,276,280)
Restricted	4,558,251	5,282,825	-	-	4,558,251	5,282,825
Unrestricted	21,308,700	17,523,869	52,015	8,402	21,360,715	17,532,271
Total net position (deficit)	4,246,812	(6,469,586)	52,015	8,402	4,298,827	(6,461,184)

The \$17,523,869 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	
	2013	2014	2013	2014	2013	2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 8,372,759	\$ 8,922,534	\$737,417	\$716,445	\$ 9,110,176	\$ 9,638,979
Operating grants and contributions	15,054,903	18,306,360	-	-	15,054,903	18,306,360
General Revenues:						
Maintenance and operations taxes	62,514,352	73,542,330	-	-	62,514,352	73,542,330
Debt service taxes	30,006,862	23,246,374	-	-	30,006,862	23,246,374
State aid - formula grants	54,840,153	59,612,385	-	-	54,840,153	59,612,385
Investment Earnings	127,008	76,965	-	-	127,008	76,965
Miscellaneous	241,231	244,727	-	-	241,231	244,727
Total Revenue	171,157,268	183,951,675	737,417	716,445	171,894,685	184,668,120
Expenses:						
Instruction, curriculum and media services	93,697,467	99,425,767	733,932	760,058	94,431,399	100,185,825
Instructional and school leadership	10,806,277	11,572,267	-	-	10,806,277	11,572,267
Student support services	12,463,769	13,498,717	-	-	12,463,769	13,498,717
Food Services	7,247,582	7,830,211	-	-	7,247,582	7,830,211
Extracurricular activities	5,397,845	5,896,258	-	-	5,397,845	5,896,258
General administration	4,368,268	4,725,108	-	-	4,368,268	4,725,108
Plant maintenance, security & data processing	19,253,733	20,467,235	-	-	19,253,733	20,467,235
Debt services	24,851,526	25,524,346	-	-	24,851,526	25,524,346
Intergovernmental charges	563,138	581,349	-	-	563,138	581,349
Total Expenses	178,649,605	189,521,258	733,932	760,058	179,383,537	190,281,316
Increase (decrease) in net position before transfers and special items	(7,492,337)	(5,569,583)	3,485	(43,613)	(7,488,852)	(5,613,196)
Gain on sale of assets	39,129	37,381	-	-	39,129	37,381
Change in net position	(7,453,208)	(5,532,202)	3,485	(43,613)	(7,449,723)	(5,575,815)
Net Position – beginning of year (2014 as restated)	6,686,937	(937,384)	48,530	52,015	6,735,467	(885,369)
Prior period adjustment	5,013,083	-	-	-	5,013,083	-
Net Position (deficit) – end of year	4,246,812	(6,469,586)	52,015	8,402	4,298,827	(6,461,184)

The cost of all governmental activities for the current fiscal period was \$189,521,258. 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 \$96,788,704 because some of the costs were paid by those who directly benefited from the programs (\$8,922,534) or by other governments and organizations that subsidized certain programs with grants and contributions (\$18,306,360) or by State equalization funding (\$59,612,385).

## 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 \$38,057,549 an increase of \$6,384,469 over the previous year. Approximately 83.5 percent of this total amount (\$31,803,369) constitutes *committed, assigned and unassigned fund balance*. The remainder of fund balance is *nonspendable or restricted* to indicate that it is not available for new spending because it is already restricted to pay debt service (\$3,201,384) or food service (\$1,144,764), or already spent on inventories (\$702,538) or prepaid items (\$1,066,863).

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 \$25,498,713, while the total fund balance was \$32,749,043. 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 19.32 percent of the total general fund expenditures, while the total fund balance represents 24.79 percent of that same amount.

The fund balance of the District's general fund increased by \$6,064,494 during the current fiscal year compared to a \$1,807,425 decrease in the prior year. Key factors related to this change are as follows:

- the District's successful tax ratification election in September, 2013 increased the District's M&O tax rate from \$1.04 to \$1.17 per \$100 valuation. The result was \$10,852,912 more property tax revenue in the current year compared to the prior year. After a transfer of \$8,200,000 of this revenue to the debt service fund for debt service payments, net property tax revenue was up \$2,652,912 over the prior year.
- State funding revenue was \$4,750,395 more than the prior year, but this was offset by an increase in total expenditures of \$5,001,140 over the prior year.
- the majority of current year \$3,175,000 maintenance tax note proceeds and current year \$1,066,455 capital lease proceeds were unspent as of August 31, 2014 and are part of the year-end committed fund balance.

The debt service fund has a total fund balance of \$3,201,384, all of which is reserved for the payment of debt service. The net increase in fund balance during the period in the debt service fund of \$482,311 reflects the positive impact from recent bond refundings.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund decreased by \$404,599, due to \$406,115 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, 2013). 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 \$32,749,043 reported on page 20 differs from the General Fund's budgetary fund balance of \$28,430,234 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, 2014, the District had \$544,803,046 (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 \$14,935,236, or 2.7 percent, below last year.

This fiscal year's major additions included:

Serving lines at two campus cafeterias, paid for with general fund revenues.	\$443,377
Carpet installation at several campuses, paid for with maintenance tax note proceeds.	525,248
Totaling	<u>\$968,625</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 \$603,910,865 in long-term debt (\$559,874,532 outstanding bonds plus accreted interest and premiums/discounts on bonds, maintenance tax notes and capital leases) versus \$605,575,684 last year—a decrease of \$1,664,829 or 0.3 percent. Debt issuances during the fiscal period include two refunding bond series, maintenance tax notes and a capital lease. The District's underlying rating for unlimited tax bonds is "AA-" by S&P, and "A+" by Fitch but is considered AAA as a result of guarantees of the Texas Permanent School Fund.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is \$624,956,642, which is in excess of the District's outstanding general obligation debt.

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

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

- The economy continues to improve and economic growth has spurred a significant increase in property tax values within the District. For the first time in 5 years the growth of the taxable assessed values (TAV's) of existing property exceeded the rate of growth in the student population. For the 2014-2015 fiscal year, TAV's increased over 8%. This growth provides much needed capacity for the issuance of bonds for future projects. We anticipate a resumption in building with a new elementary school scheduled to start construction in spring of 2015.
- The increase in TAV's, combined with continued student growth (in the 2.5% to 3% range), places Eagle Mountain – Saginaw ISD in a position where we are able to meet the needs of students and maintain a healthy fund balance.

- The economy has provided the State of Texas with a significant surplus for the current biennium and increased revenues projected for the upcoming biennium. Due to ongoing litigation (see note below), we do not anticipate any significant legislative action with respect to school finance in the upcoming legislative session, however, we are hopeful that certain inequities currently imbedded in the system will be corrected. If they are corrected, Eagle Mountain – Saginaw ISD would receive additional funding and the increase would be significant. However we are neither forecasting nor budgeting based on these potential corrections.
- With respect to the ongoing school finance litigation, the lower court issued a ruling supporting the school districts' allegations that the current funding system violates the Constitution of the State of Texas in that it is inadequate, inequitable, and inefficient. The lower court also ruled that the current system was a statewide property tax, which is unallowable under the state constitution. The State has appealed the ruling to the Supreme Court of the State of Texas and we anticipate a ruling sometime in 2015. At this time we have not adjusted our long range forecasting models to reflect any change in the finance system.
- Eagle Mountain – Saginaw ISD passed a tax ratification election in 2013. That election increased the maximum M&O tax rate by \$0.13. Pursuant to our plan, the debt service rate was reduced by 13 cents so that the overall tax rate remained the same. The current year tax rate remains at that level. These 13 pennies are available to the district to meet future financial needs, and the available taxing authority would raise approximately \$9,000,000 per annum. As of this time there is no plan to raise the tax rate and access these funds.
- For the 2013-2014 fiscal year, the District's fund balance increased just over \$6,000,000. Approximately \$3,100,000 of this increase is due to unspent proceeds from the issuance of Maintenance Tax Notes and capital leases entered into just prior to year end. These proceeds will be expended during the following fiscal year. The remaining increase of approximately \$2,900,000 is a result of operations and is better than forecasted. Fund balance now represents approximately 2.76 months of operations; up from 2.56 months of operations as of August 31, 2013. The Board of Trustees has set a goal of three months of operations in fund balance and we have made steady progress toward that goal.

## **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



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EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2014

EXHIBIT A-1

		1	2	3
		Primary Government		
Data			Business	
Control		Governmental	Type	
Codes		Activities	Activities	Total
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ 44,398,235	\$ 51,718	\$ 44,449,953
1220	Property Taxes Receivable (Delinquent)	2,731,332	-	2,731,332
1230	Allowance for Uncollectible Taxes	(136,567)	-	(136,567)
1240	Due from Other Governments	2,223,425	-	2,223,425
1290	Other Receivables, net	21,921	-	21,921
1300	Inventories	861,928	-	861,928
1410	Prepayments	1,103,705	6,472	1,110,177
Capital Assets:				
1510	Land	29,478,767	-	29,478,767
1520	Buildings, Net	491,684,894	-	491,684,894
1530	Furniture and Equipment, Net	22,024,438	-	22,024,438
1580	Construction in Progress	1,614,947	-	1,614,947
1000	Total Assets	596,007,025	58,190	596,065,215
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
1701	Deferred Charge for Refunding	13,169,467	-	13,169,467
1700	Total Deferred Outflows of Resources	13,169,467	-	13,169,467
<b>LIABILITIES</b>				
2110	Accounts Payable	1,594,914	21,133	1,616,047
2150	Payroll Deductions & Withholdings	1,106,917	-	1,106,917
2160	Accrued Wages Payable	4,556,086	28,655	4,584,741
2180	Due to Other Governments	2,955,793	-	2,955,793
2200	Accrued Expenses	1,142,835	-	1,142,835
2300	Unearned Revenue	378,678	-	378,678
Noncurrent Liabilities				
2501	Due Within One Year	13,032,876	-	13,032,876
2502	Due in More Than One Year	590,877,979	-	590,877,979
2000	Total Liabilities	615,646,078	49,788	615,695,866
<b>NET POSITION</b>				
3200	Net Investment in Capital Assets	(29,276,280)	-	(29,276,280)
Restricted for:				
3820	Restricted for Federal and State Programs	1,283,395	-	1,283,395
3850	Restricted for Debt Service	3,201,384	-	3,201,384
3870	Restricted for Campus Activities	798,046	-	798,046
3900	Unrestricted	17,523,869	8,402	17,532,271
3000	Total Net Position	\$ (6,469,586)	\$ 8,402	\$ (6,461,184)

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, 2014

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 94,612,673	\$ 260,222	\$ 11,670,336
12 Instructional Resources and Media Services	2,375,542	-	233,885
13 Curriculum and Staff Development	2,437,552	-	333,422
21 Instructional Leadership	1,479,790	-	125,827
23 School Leadership	10,092,477	-	521,326
31 Guidance, Counseling and Evaluation Services	6,825,236	-	425,809
33 Health Services	1,890,518	-	823,102
34 Student (Pupil) Transportation	4,782,963	-	1,221,760
35 Food Services	7,830,211	8,050,370	-
36 Extracurricular Activities	5,896,258	359,015	554,700
41 General Administration	4,725,108	103,078	187,226
51 Facilities Maintenance and Operations	17,357,155	149,849	486,725
52 Security and Monitoring Services	848,373	-	6,973
53 Data Processing Services	2,181,343	-	87,583
61 Community Services	80,364	-	80,364
72 Debt Service - Interest on Long Term Debt	24,948,042	-	1,547,322
73 Debt Service - Bond Issuance Cost and Fees	576,304	-	-
99 Other Intergovernmental Charges	581,349	-	-
[TG] Total Governmental Activities:	189,521,258	8,922,534	18,306,360
BUSINESS-TYPE ACTIVITIES:			
01 Employee Child Care	760,058	716,445	-
[TB] Total Business-Type Activities:	760,058	716,445	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 190,281,316	\$ 9,638,979	\$ 18,306,360
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 (Deficit) - Beg. as Restated (Note 2)		
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
\$ (82,682,115)	\$ -	\$ (82,682,115)
(2,141,657)	-	(2,141,657)
(2,104,130)	-	(2,104,130)
(1,353,963)	-	(1,353,963)
(9,571,151)	-	(9,571,151)
(6,399,427)	-	(6,399,427)
(1,067,416)	-	(1,067,416)
(3,561,203)	-	(3,561,203)
220,159	-	220,159
(4,982,543)	-	(4,982,543)
(4,434,804)	-	(4,434,804)
(16,720,581)	-	(16,720,581)
(841,400)	-	(841,400)
(2,093,760)	-	(2,093,760)
-	-	-
(23,400,720)	-	(23,400,720)
(576,304)	-	(576,304)
(581,349)	-	(581,349)
(162,292,364)	-	(162,292,364)
-	(43,613)	(43,613)
-	(43,613)	(43,613)
(162,292,364)	(43,613)	(162,335,977)
73,542,330	-	73,542,330
23,246,374	-	23,246,374
59,612,385	-	59,612,385
76,965	-	76,965
244,727	-	244,727
37,381	-	37,381
156,760,162	-	156,760,162
(5,532,202)	(43,613)	(5,575,815)
(937,384)	52,015	(885,369)
\$ (6,469,586)	\$ 8,402	\$ (6,461,184)

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 35,394,817	\$ 6,095,684	\$ 61,504
1220 Property Taxes - Delinquent	2,051,596	679,736	-
1230 Allowance for Uncollectible Taxes (Credit)	(102,580)	(33,987)	-
1240 Receivables from Other Governments	149,900	-	-
1260 Due from Other Funds	1,784,084	26,088	-
1290 Other Receivables	21,732	-	-
1300 Inventories	702,538	-	-
1410 Prepayments	1,066,863	-	-
1000 Total Assets	<u>\$ 41,068,950</u>	<u>\$ 6,767,521</u>	<u>\$ 61,504</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 935,930	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	1,106,917	-	-
2160 Accrued Wages Payable	4,301,966	-	-
2170 Due to Other Funds	26,088	-	35,823
2180 Due to Other Governments	11,434	2,944,359	-
2200 Accrued Expenditures	49,759	-	-
2300 Unearned Revenues	5,308	-	-
2000 Total Liabilities	<u>6,437,402</u>	<u>2,944,359</u>	<u>35,823</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	1,882,505	621,778	-
2600 Total Deferred Inflows of Resources	<u>1,882,505</u>	<u>621,778</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	702,538	-	-
3430 Prepaid Items	1,066,863	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	3,201,384	-
Committed Fund Balance:			
3510 Construction	3,000,000	-	25,681
3545 Other Committed Fund Balance	2,480,929	-	-
3600 Unassigned Fund Balance	25,498,713	-	-
3000 Total Fund Balances	<u>32,749,043</u>	<u>3,201,384</u>	<u>25,681</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 41,068,950</u>	<u>\$ 6,767,521</u>	<u>\$ 61,504</u>

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

Child Nutrition Fund	Other Funds	Total Governmental Funds
\$ 1,951,771	\$ 894,459	\$ 44,398,235
-	-	2,731,332
-	-	(136,567)
102,228	1,971,297	2,223,425
-	-	1,810,172
189	-	21,921
159,390	-	861,928
-	36,842	1,103,705
<u>\$ 2,213,578</u>	<u>\$ 2,902,598</u>	<u>\$ 53,014,151</u>
\$ 609,561	\$ 49,423	\$ 1,594,914
-	-	1,106,917
96,252	157,868	4,556,086
-	1,748,261	1,810,172
-	-	2,955,793
-	-	49,759
224,370	149,000	378,678
<u>930,183</u>	<u>2,104,552</u>	<u>12,452,319</u>
-	-	2,504,283
-	-	2,504,283
138,631	-	841,169
-	-	1,066,863
1,144,764	-	1,144,764
-	-	3,201,384
-	-	3,025,681
-	798,046	3,278,975
-	-	25,498,713
<u>1,283,395</u>	<u>798,046</u>	<u>38,057,549</u>
<u>\$ 2,213,578</u>	<u>\$ 2,902,598</u>	<u>\$ 53,014,151</u>

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EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2014

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 38,057,549</b>
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.	683,767,698
2 Accumulated depreciation has not been included in the governmental fund financial statements.	(138,964,652)
3 Bonds payable have not been included in the governmental fund financial statements.	(559,874,532)
4 Capital leases payable have not been included in the fund financial statements.	(1,042,825)
5 Maintenance tax notes payable have not been included in the fund financial statements.	(3,175,000)
6 Accreted interest for capital appreciation bonds have not been included in the governmental fund financial statements.	(13,495,493)
7 Unavailable revenue on property taxes in the fund financial statements was recorded as revenue in the district-wide financial statements.	2,504,283
8 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.	(1,093,076)
9 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.	13,169,467
10 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.	(26,323,005)
<b>19 Net Position of Governmental Activities</b>	<b>\$ (6,469,586)</b>

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



EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 74,418,675	\$ 23,250,885	\$ 1,516
5800 State Program Revenues	66,826,305	57,027	-
5900 Federal Program Revenues	893,666	1,490,295	-
5020 Total Revenues	142,138,646	24,798,207	1,516
EXPENDITURES:			
Current:			
0011 Instruction	75,903,274	-	-
0012 Instructional Resources and Media Services	1,995,846	-	-
0013 Curriculum and Instructional Staff Development	1,968,219	-	-
0021 Instructional Leadership	1,251,572	-	-
0023 School Leadership	8,782,414	-	-
0031 Guidance, Counseling and Evaluation Services	5,838,942	-	-
0033 Health Services	1,650,032	-	-
0034 Student (Pupil) Transportation	4,782,963	-	-
0035 Food Services	42	-	-
0036 Extracurricular Activities	5,092,529	-	-
0041 General Administration	4,246,405	-	-
0051 Facilities Maintenance and Operations	17,051,585	-	-
0052 Security and Monitoring Services	814,990	-	-
0053 Data Processing Services	2,041,744	-	-
0061 Community Services	44,004	-	-
Debt Service:			
0071 Principal on Long Term Debt	23,630	7,843,419	-
0072 Interest on Long Term Debt	-	24,143,798	-
0073 Bond Issuance Cost and Fees	36,434	539,870	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	406,115
Intergovernmental:			
0099 Other Intergovernmental Charges	581,349	-	-
6030 Total Expenditures	132,105,974	32,527,087	406,115
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	10,032,672	(7,728,880)	(404,599)
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Refunding Bonds)	-	20,690,000	-
7912 Sale of Real and Personal Property	37,381	-	-
7913 Capital Lease Proceeds	1,066,455	-	-
7914 Maintenance Tax Note Proceeds	3,175,000	-	-
7915 Transfers In	-	8,200,000	-
7916 Premium or Discount on Issuance of Bonds	-	3,941,148	-
8911 Transfers Out (Use)	(8,200,000)	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(24,619,957)	-
8949 Other (Uses)	(12,450)	-	-
7080 Total Other Financing Sources (Uses)	(3,933,614)	8,211,191	-
EXTRAORDINARY ITEMS:			
8913 Extraordinary Item - (Use)	(34,564)	-	-
1200 Net Change in Fund Balances	6,064,494	482,311	(404,599)
0100 Fund Balance - September 1 (Beginning)	26,684,549	2,719,073	430,280
3000 Fund Balance - August 31 (Ending)	\$ 32,749,043	\$ 3,201,384	\$ 25,681

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

Child Nutrition Fund	Other Funds	Total Governmental Funds
\$ 3,746,199	\$ 1,410,701	\$ 102,827,976
40,096	2,713,503	69,636,931
4,264,075	4,630,326	11,278,362
8,050,370	8,754,530	183,743,269
-	7,707,814	83,611,088
-	143,905	2,139,751
-	235,004	2,203,223
-	61,596	1,313,168
-	48,178	8,830,592
-	137,438	5,976,380
-	720	1,650,752
-	-	4,782,963
7,868,886	-	7,868,928
-	322,410	5,414,939
-	186	4,246,591
-	-	17,051,585
-	140	815,130
-	-	2,041,744
-	36,360	80,364
-	-	7,867,049
-	-	24,143,798
-	-	576,304
-	-	406,115
-	-	581,349
7,868,886	8,693,751	181,601,813
181,484	60,779	2,141,456
-	-	20,690,000
-	-	37,381
-	-	1,066,455
-	-	3,175,000
-	-	8,200,000
-	-	3,941,148
-	-	(8,200,000)
-	-	(24,619,957)
-	-	(12,450)
-	-	4,277,577
-	-	(34,564)
181,484	60,779	6,384,469
1,101,911	737,267	31,673,080
\$ 1,283,395	\$ 798,046	\$ 38,057,549

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, 2014

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 6,384,469</b>
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.	2,088,949
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources.	(17,024,185)
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.	7,867,049
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.	(1,266,159)
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.	(36,208)
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.	1,267,316
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.	(769,193)
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.	(20,690,000)
Current year issuances of capital leases are shown as other resources in the fund financial statements but are shown as increases in long-term debt in the government-wide financial statements.	(1,066,455)
Current year issuances of maintenance tax notes are shown as other resources in the fund financial statements but are shown as increases in long-term debt in the government-wide financial statement.	(3,175,000)
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.	24,619,957
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.	(3,941,148)

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, 2014

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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.	208,406
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ (5,532,202)</u></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, 2014

EXHIBIT C-5

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	\$ 77,643,350	\$ 74,952,492	\$ 74,418,675	\$ (533,817)
5800	State Program Revenues	61,113,015	67,228,913	66,826,305	(402,608)
5900	Federal Program Revenues	1,100,000	1,165,000	893,666	(271,334)
5020	Total Revenues	139,856,365	143,346,405	142,138,646	(1,207,759)
EXPENDITURES:					
Current:					
0011	Instruction	77,543,978	77,680,923	75,903,274	1,777,649
0012	Instructional Resources and Media Services	1,985,375	2,072,494	1,995,846	76,648
0013	Curriculum and Instructional Staff Development	1,980,078	2,180,479	1,968,219	212,260
0021	Instructional Leadership	1,213,855	1,342,811	1,251,572	91,239
0023	School Leadership	8,388,200	8,915,967	8,782,414	133,553
0031	Guidance, Counseling and Evaluation Services	5,870,290	5,993,987	5,838,942	155,045
0033	Health Services	1,656,323	1,684,691	1,650,032	34,659
0034	Student (Pupil) Transportation	4,774,924	4,870,950	4,782,963	87,987
0035	Food Services	-	500	42	458
0036	Extracurricular Activities	4,893,727	5,394,821	5,092,529	302,292
0041	General Administration	3,969,529	4,442,516	4,246,405	196,111
0051	Facilities Maintenance and Operations	16,136,983	17,975,292	17,051,585	923,707
0052	Security and Monitoring Services	853,670	896,772	814,990	81,782
0053	Data Processing Services	2,118,903	2,247,677	2,041,744	205,933
0061	Community Services	35,000	90,341	44,004	46,337
Debt Service:					
0071	Principal on Long Term Debt	-	23,630	23,630	-
0073	Bond Issuance Cost and Fees	-	126,370	36,434	89,936
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	13,000	-	13,000
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	5,000	5,000	-	5,000
0099	Other Intergovernmental Charges	600,000	581,349	581,349	-
6030	Total Expenditures	132,025,835	136,539,570	132,105,974	4,433,596
1100	Excess of Revenues Over Expenditures	7,830,530	6,806,835	10,032,672	3,225,837
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	38,000	37,381	(619)
7913	Capital Lease Proceeds	-	-	1,066,455	1,066,455
7914	Maintenance Tax Note Proceeds	-	3,150,000	3,175,000	25,000
8911	Transfers Out (Use)	(8,200,000)	(8,200,000)	(8,200,000)	-
8949	Other (Uses)	-	(20,105)	(12,450)	7,655
7080	Total Other Financing Sources (Uses)	(8,200,000)	(5,032,105)	(3,933,614)	1,098,491
EXTRAORDINARY ITEMS:					
7919	Extraordinary Item - Resource	-	10,955	-	(10,955)
8913	Extraordinary Item - (Use)	-	(40,000)	(34,564)	5,436
1200	Net Change in Fund Balances	(369,470)	1,745,685	6,064,494	4,318,809
0100	Fund Balance - September 1 (Beginning)	26,684,549	26,684,549	26,684,549	-
3000	Fund Balance - August 31 (Ending)	\$ 26,315,079	\$ 28,430,234	\$ 32,749,043	\$ 4,318,809

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, 2014

EXHIBIT D-1

	Business-Type Activities
	Total Enterprise Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 51,718
Prepayments	6,472
Total Assets	<u>58,190</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	21,133
Accrued Wages Payable	28,655
Total Liabilities	<u>49,788</u>
NET POSITION	
Unrestricted Net Position	<u>8,402</u>
Total Net Position	<u><u>\$ 8,402</u></u>

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, 2014

	Business-Type Activities
	Total Enterprise Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 716,445
Total Operating Revenues	<u>716,445</u>
OPERATING EXPENSES:	
Payroll Costs	665,790
Professional and Contracted Services	4,208
Supplies and Materials	19,985
Other Operating Costs	49,290
Capital Outlay	<u>20,785</u>
Total Operating Expenses	<u>760,058</u>
Operating Income (Loss)	(43,613)
Total Net Position - September 1 (Beginning)	<u>52,015</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 8,402</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, 2014

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 716,445
Cash Payments for Payroll Costs	(664,271)
Cash Payments for Purchased Services	(4,208)
Cash Payments for Supplies and Materials	(19,985)
Cash Payments for Other Expenses	(49,421)
Net Cash Used for Operating Activities	(21,440)
Net Decrease in Cash and Cash Equivalents	(21,440)
Cash and Cash Equivalents at Beginning of Year	73,158
Cash and Cash Equivalents at End of Year	\$ 51,718
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (43,613)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Prepayments	(479)
Increase (decrease) in Accounts Payable	21,133
Increase (decrease) in Accrued Wages Payable	1,519
Net Cash Used for Operating Activities	\$ (21,440)

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, 2014

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 313,706
Total Assets	<u>\$ 313,706</u>
LIABILITIES	
Due to Student Groups	\$ 313,706
Total Liabilities	<u>\$ 313,706</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, 2014

**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, 2014

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, 2014

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  
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  
Microsoft Grant - accounts for the use of a donation received by the District for a specific purpose

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

**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.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014

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.

**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.

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014**

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

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

Over the course of the year, the Board of Trustees revised the District's budget at times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August, 2013). 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.

**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.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014

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, 2014 totaled \$20,759.

**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.

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:

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014

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.

**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.



EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014

**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 2014, 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, 2014 through January 20, 2015, which is the date the financial statements were available to be issued. No subsequent events were identified that are required to be disclosed in the financial statements.

**Q. ESTIMATES**

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

**R. DATA CONTROL CODES**

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

**NOTE 2. ADOPTION OF NEW ACCOUNTING STANDARDS**

In 2013, the District implemented GASB Statement Number 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."
- 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 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.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014

In 2014 the District implemented GASB Statement Number 65 *Items Previously Reported as Assets and Liabilities*. This statement requires certain items previously reported as assets to be retroactively reclassified in the Statements of Net Position and Balance Sheets for all periods presented. The effect of this change in accounting principle on the District's financial statements is to reclassify bond issuance costs previously reported as assets to expense of the period in which they were incurred, resulting in an adjustment to beginning net position. Beginning net position at September 1, 2013 has been restated as follows:

Beginning Net Position	\$4,246,812
Reclassification of bond issuance costs	<u>(5,184,196)</u>
Beginning Net Position (Deficit) as Restated	<u>\$ (937,384)</u>

**NOTE 3. FUND BALANCE**

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

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items and inventories as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law. Food service resources are to be used in the food service program.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of August 31, 2014 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, 2014.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014

- 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 \$25,498,713 at August 31, 2014. Prepaid expenditures (prepaid items) of \$1,066,863 and inventories of \$702,538 are considered nonspendable fund balance. The District has committed general fund fund balance resources of \$3,000,000 for construction as of August 31, 2014. Unspent maintenance tax note and capital lease proceeds at August 31, 2014 totaling \$2,480,929 are also shown as committed.

### **Other Major Funds**

The Debt Service Fund has restricted funds of \$3,201,384 at August 31, 2014 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. \$1,144,764 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 (\$138,631).

### **Other Funds**

The fund balance of \$798,046 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 \$25,681 at August 31, 2014, 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, 2014, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$24,456,044 and the bank balance was \$24,753,710. The District's cash deposits at August 31, 2014 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2014, the District's cash balances totaled \$24,753,710. 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, 2014, 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.
- 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 AAAf (Standard & Poor's).
- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexPool 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, 2014, the District was not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

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

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

The District's investments at August 31, 2014, are shown below:

Name	Carrying Amount	Fair Value
TexPool	\$12,238,131	\$12,238,131
Lone Star	<u>8,005,158</u>	<u>8,005,158</u>
Total	<u>\$20,243,289</u>	<u>\$20,243,289</u>

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2014, was as follows:

	Balance <u>September 1</u>	Additions/ <u>Completions</u>	Retirement/ <u>Adjustments</u>	Balance <u>August 31</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 29,478,767	\$ -	\$ -	\$ 29,478,767
Construction in Progress	<u>1,384,434</u>	<u>287,516</u>	<u>(57,003)</u>	<u>1,614,947</u>
Total capital assets, not being depreciated	<u>30,863,201</u>	<u>287,516</u>	<u>(57,003)</u>	<u>31,093,714</u>
Capital assets, being depreciated:				
Buildings and Improvements	605,646,911	643,979	-	606,290,890
Furniture and Equipment	<u>45,168,637</u>	<u>1,214,457</u>	<u>-</u>	<u>46,383,094</u>
Total capital assets, being depreciated	<u>650,815,548</u>	<u>1,858,436</u>	<u>-</u>	<u>652,673,984</u>
Less accumulated depreciation for:				
Buildings and Improvements	(103,243,147)	(11,362,849)	-	(114,605,996)
Furniture and Equipment	<u>(18,697,320)</u>	<u>(5,661,336)</u>	<u>-</u>	<u>(24,358,656)</u>
Total accumulated depreciation	<u>(121,940,467)</u>	<u>(17,024,185)</u>	<u>-</u>	<u>(138,964,652)</u>
Total capital assets being depreciated, net	<u>528,875,081</u>	<u>(15,165,749)</u>	<u>-</u>	<u>513,709,332</u>
Governmental activities capital assets, net	<u>\$ 559,738,282</u>	<u>\$(14,878,233)</u>	<u>\$(57,003)</u>	<u>\$ 544,803,046</u>

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

Governmental activities:	
Instruction	\$11,293,311
Instructional Resources & Media Services	235,791
Curriculum & Instructional Staff Development	234,329
Instructional Leadership	176,992
School Leadership	1,261,885
Guidance, Counseling & Evaluation Services	848,856
Health Services	239,766
Food Services	434,784
Cocurricular/Extracurricular Activities	487,010
General Administration	471,867
Plant Maintenance and Operations	1,110,192
Data Processing Services	33,243
Security & Monitoring Services	<u>196,159</u>
Total depreciation expense-Governmental activities	<u>\$17,024,185</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, maintenance tax notes, a capital lease, accreted interest on capital appreciation bonds and premiums/discounts on bond issuances. All long-term debt represents transactions in the District's governmental activities. No long-term debt exists in the District's business-type activities.

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The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2014:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amount Original Issue</u>	<u>Amounts Outstanding 9/1/13</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 8/31/14</u>	<u>Due Within One Year</u>
Bonded Indebtedness:							
2002A Bldg/Refunding	2.74-5.77%	75,445,000	\$ 2,783,028	\$ -	\$ 847,645	\$ 1,935,383	\$ 961,445
2005A Bldg/Refunding	2.92-5.00%	19,788,088	4,360,000	-	4,360,000	-	-
2005B Refunding	2.50-4.00%	4,795,000	1,505,000	-	1,505,000	-	-
2005C Refunding	2.65-5.00%	24,055,000	15,915,000	-	3,120,000	12,795,000	1,220,000
2006 Building	3.50-5.00%	59,375,000	1,245,000	-	-	1,245,000	1,245,000
2006A Building	4.00-5.00%	68,500,000	61,465,000	-	18,285,000	43,180,000	1,395,000
2006B Refunding	3.68-4.45%	76,424,511	76,170,000	-	15,000	76,155,000	15,000
2007 Building	4.25-5.00%	90,550,000	83,800,000	-	400,000	83,400,000	2,255,000
2008 Building	3.25-5.41%	97,450,000	94,285,000	-	100,000	94,185,000	500,000
2010A Building	4.783%	12,445,000	12,445,000	-	-	12,445,000	-
2010B Building	3.31-4.83%	12,699,503	12,699,503	-	-	12,699,503	-
2010C Building	4.933-5.033%	54,855,000	54,855,000	-	-	54,855,000	-
2010D Refunding	1.66-3.30%	6,100,000	6,100,000	-	415,000	5,685,000	1,160,000
2011 Building	Variable	55,000,000	55,000,000	-	775,000	54,225,000	-
2011 Refunding	2.00-4.00%	6,560,000	5,515,000	-	690,000	4,825,000	315,000
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	100,000
2014A Refunding	2.00-5.00%	17,055,000	-	17,055,000	-	17,055,000	635,000
2014B Refunding	2.00-3.75%	3,635,000	-	3,635,000	-	3,635,000	25,000
Total Bonded Indebtedness			<u>569,697,177</u>	<u>20,690,000</u>	<u>30,512,645</u>	<u>559,874,532</u>	<u>9,826,445</u>
Capital Lease	2.553%	1,066,455	-	1,066,455	23,630	1,042,825	352,120
Maintenance Tax Notes	1.60%	3,175,000	-	3,175,000	-	3,175,000	-
Premiums/Discounts on Bond Issuance			23,649,173	3,941,148	1,267,316	26,323,005	1,558,932
Accreted Interest			<u>12,229,334</u>	<u>1,752,740</u>	<u>486,581</u>	<u>13,495,493</u>	<u>1,295,379</u>
Total Other Obligations			<u>35,878,507</u>	<u>9,935,343</u>	<u>1,777,527</u>	<u>44,036,323</u>	<u>3,206,431</u>
Total Obligations of District			<u>\$605,575,684</u>	<u>\$ 30,625,343</u>	<u>\$32,290,172</u>	<u>\$603,910,855</u>	<u>\$13,032,876</u>

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

The District will pay a 2.00% interest rate on the Series 2011 variable rate bonds until July 31, 2019. For purposes of the debt service requirements disclosed in Note 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, 2014.

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**NOTE 7. MAINTENANCE TAX NOTES**

On August 29, 2014 the District issued \$3,175,000 maintenance tax notes to fund particular projects in the District. Debt service requirements to maturity for the maintenance tax notes are as follows:

Year Ended <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ -	\$ 48,824	\$ 48,824
2016	775,000	50,800	825,800
2017	787,000	38,400	825,400
2018	800,000	25,808	825,808
2019	813,000	13,008	826,008
	<u>\$3,175,000</u>	<u>\$176,840</u>	<u>\$3,351,840</u>

**NOTE 8. CAPITAL LEASE**

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

The District received from Cisco a special financial promotion payment of \$23,630 that was applied as a principal payment on the lease during the current fiscal year. A summary of capital lease activity during the year is as follows:

Amount Outstanding <u>8/31/13</u>	<u>Additions</u>	<u>Retirements</u>	Amount Outstanding <u>8/31/14</u>
<u>\$ -</u>	<u>\$1,066,455</u>	<u>\$ 23,630</u>	<u>\$1,042,825</u>

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

Year Ending <u>August 31</u>	<u>Annual Lease Payment</u>
2015	\$358,790
2016	358,790
2017	<u>358,790</u>
Total Lease Payments	1,076,370
Imputed Interest Amount	<u>(33,545)</u>
Present Value Outstanding	<u>\$1,042,825</u>



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**NOTE 9. 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>
2015	\$ 9,826,445	\$ 25,486,981	\$ 35,313,426
2016	11,573,938	24,632,668	36,206,606
2017	10,975,000	25,119,432	36,094,432
2018	10,715,000	26,413,719	37,128,719
2019	10,210,000	27,219,425	37,429,425
2020-2024	83,800,174	121,916,036	205,716,210
2025-2029	109,958,967	96,556,180	206,515,147
2030-2034	120,535,008	66,760,523	187,295,531
2035-2039	77,010,000	40,093,381	117,103,381
2040-2044	57,085,000	22,439,503	79,524,503
2045-2049	52,175,000	8,971,500	61,146,500
2050	<u>6,010,000</u>	<u>300,500</u>	<u>6,310,500</u>
	<u>\$559,874,532</u>	<u>\$485,909,848</u>	<u>\$1,045,784,380</u>

**NOTE 10. DEFEASED BONDS OUTSTANDING**

On June 25, 2014, the District issued \$17,055,000 (par value) in unlimited tax refunding bonds (current interest bonds) with interest rates ranging from 2.00% to 5.00% to advance refund \$18,259,226 of unlimited tax school building bonds. The unlimited tax refunding bonds were issued at a net premium of \$2,856,381, and, after paying issuance costs of \$214,060, the net proceeds were \$20,125,289. 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 \$1,628,605 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,389,048.

On June 25, 2014, the District issued \$3,390,000 (par value) in unlimited tax refunding bonds (current interest bonds) with interest rates ranging from 2.00% to 3.75% and \$245,000 (par value) in unlimited tax refunding bonds (capital appreciation bonds) with interest rates ranging from 0.65% to 1.05% to advance refund \$3,635,000 of unlimited tax school building bonds. The unlimited tax refunding bonds were issued at a net premium of \$72,929, and, after paying issuance costs of \$72,928, the net proceeds were \$3,719,667. 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 \$571,364 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$448,729.

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

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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, 2014, \$187,670,564 of bonds outstanding are considered defeased.

**NOTE 11. 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 \$581,349 in fiscal year 2014 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 2013-14 fiscal year was based was \$6,249,566,429. 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, 2014, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.37 per \$100 valuation, respectively, for a total of \$1.54 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2014 were 99.09% 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, 2014, property taxes receivable, net of estimated uncollectible taxes, totaled \$1,949,016 and \$645,749 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.

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**NOTE 12. 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 6.8% of the District's covered payroll (6.4% in fiscal year 2013 and 6.0% in fiscal year 2012). 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, 2012, 2013, and 2014 were \$5,798,081, \$6,077,701 and \$6,254,588, 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, 2012, 2013, and 2014 were \$1,233,425, \$1,431,355 and \$1,712,019, respectively, equal to the required contributions for each year. The amounts contributed by the State, for the years ended August 31, 2012, 2013, and 2014 were \$4,901,272, \$4,923,702 and \$5,691,887, 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.

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FOR THE YEAR ENDED AUGUST 31, 2014

**NOTE 13. SCHOOL DISTRICT RETIREE HEALTH PLAN**

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

*Funding Policy.* Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2013 and 2012. 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, 2014, 2013, and 2012, the State's contributions to the TRS-Care were \$977,279, \$474,820, and \$905,950, respectively, the active member contributions were \$635,231, \$308,633, and \$588,868, respectively, and the school district's contribution were \$537,503, \$261,151, and \$498,272, 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, 2014, the contribution made on behalf of the District was \$273,904.

**NOTE 14. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at August 31, 2014, 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	\$ 291,210	\$ -
IDEA - Part B, Formula	798,178	-
IDEA - Part B, Preschool	6,681	-
ESEA Title II Training and Recruiting	41,428	-
ESEA Title III English Lang Acquisition	57,396	-
Medicaid Admin Claim	2,395	-
State Textbook Fund	<u>550,973</u>	<u>-</u>
Total	1,748,261	-
Debt Service Fund	-	26,088
Capital Projects Fund	<u>35,823</u>	<u>-</u>
Total General Fund	<u>1,784,084</u>	<u>26,088</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
<u>Special Revenue Fund</u>		
General Fund	-	1,748,261
Total Special Revenue Fund	-	1,748,261
<u>Debt Service Fund</u>		
General Fund	26,088	-
Total Debt Service Fund	26,088	-
<u>Capital Projects Fund</u>		
General Fund	-	35,823
Total Capital Projects Fund	-	35,823
Total	<u>\$1,810,172</u>	<u>\$1,810,172</u>

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

Interfunds transfers for the year ended August 31, 2014 consisted of the following individual amounts:

<u>Fund</u>	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund:		
Debt Service Fund	\$8,200,000	\$ -
Debt Service Fund:		
General Fund	-	8,200,000
Total	<u>\$8,200,000</u>	<u>\$8,200,000</u>

The purpose of the transfer was to transfer funds from the general fund to the debt service fund for use toward debt service payments.

**NOTE 15. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2014, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$2,051,596	\$ 149,900	\$1,784,084	\$21,732	\$4,007,312
Debt Service Fund	679,736	-	26,088	-	705,824
Special Revenue Fund	-	2,073,525	-	189	2,073,714
Total - Governmental Activities	<u>\$2,731,332</u>	<u>\$2,223,425</u>	<u>\$1,810,172</u>	<u>\$21,921</u>	<u>\$6,786,850</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 136,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,567</u>

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

Payables at August 31, 2014, 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	\$ 935,930	\$5,408,883	\$ 26,088	\$ 11,434	\$49,759	\$ 6,432,094
Debt Service Fund	-	-	-	2,944,359	-	2,944,359
Capital Projects Fund	-	-	35,823	-	-	35,823
Special Revenue Funds	<u>658,984</u>	<u>254,120</u>	<u>1,748,261</u>	<u>-</u>	<u>-</u>	<u>2,661,365</u>
Total-Governmental Activities	<u>\$1,594,914</u>	<u>\$5,663,003</u>	<u>\$1,810,172</u>	<u>\$2,955,793</u>	<u>\$49,759</u>	<u>\$12,073,641</u>
Amounts not scheduled for payment during the subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**NOTE 16. 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, 2014, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>County Tax Collections in Transit</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 15,062	\$120,145	\$ 14,693	\$ 149,900
Special Revenue	-	<u>645,529</u>	<u>1,427,996</u>	<u>2,073,525</u>
Total	<u>\$ 15,062</u>	<u>\$765,674</u>	<u>\$1,442,689</u>	<u>\$2,223,425</u>

Detail of the Due from Other Governments (State Entitlement) balance of \$120,145 in the general fund at August 31, 2014 is as follows:

2013/14 Foundation overpayment balance per the 9/5/14 near-final Summary of Finance	\$(1,511,032)
Less additional overpayment per the 9/11/14 near-final Summary of Finance	(31,851)
Plus Foundation accrual for August, 2014 days of instruction	1,549,234
Plus Per Capita accrual for August, 2014 days of instruction	125,921
Plus 2011/12 property value audit	31,064
Plus 2012/13 property value audit	56,267
Less 2009/10 HB5 adjustment transferred to 2014/15	(21,552)
Less 2010/11 HB5 adjustment transferred to 2014/15	(63,874)
Less 2011/12 HB5 adjustment transferred to 2014/15	<u>(14,032)</u>
Total	<u>\$ 120,145</u>

**NOTE 17. 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, 2014, the estimated rebate liability on outstanding bond series was \$0.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014

**NOTE 18. LITIGATION AND CONTINGENCIES**

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

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

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

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

**NOTE 19. 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	\$72,900,605	\$ -	\$23,125,409	\$ -	\$ 96,026,014
Investment Income	64,480	2,326	8,643	1,516	76,965
Food Sales	-	3,743,873	-	-	3,743,873
Penalties, interest and other tax related income	437,451	-	116,833	-	554,284
Co-curricular student activities	359,015	1,353,232	-	-	1,712,247
Tuition and fees	260,222	-	-	-	260,222
Gifts and bequests	24,430	57,469	-	-	81,899
Facilities rentals	138,978	-	-	-	138,978
Insurance recovery	10,871	-	-	-	10,871
Gas royalties	38,887	-	-	-	38,887
Other	183,736	-	-	-	183,736
Total	<u>\$74,418,675</u>	<u>\$5,156,900</u>	<u>\$23,250,885</u>	<u>\$ 1,516</u>	<u>\$102,827,976</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2014

**NOTE 20. UNEARNED REVENUE**

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Athletic season tickets	\$ 5,308	\$ -	\$ -	\$ 5,308
Lunchroom receipts	-	203,611	-	203,611
Food Commodities	-	20,759	-	20,759
Medicaid Admin Claim (MAC)	-	4,105	-	4,105
Read to Succeed	-	1,343	-	1,343
State Textbook Fund	-	94,556	-	94,556
Gen Youth Foundation	-	238	-	238
AP Campus Awards	-	12,934	-	12,934
AP Incentives	-	2,026	-	2,026
Cargill Donation Fund	-	27,144	-	27,144
Diary Max Foundation	-	613	-	613
Meadows Foundation	-	41	-	41
Microsoft Grant	-	6,000	-	6,000
	<u>\$ 5,308</u>	<u>\$373,370</u>	<u>\$ -</u>	<u>\$378,678</u>

**NOTE 21. COMMITMENTS UNDER LEASES**

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2014, as follows:

Year Ending	
<u>August 31,</u>	
2015	\$ 864,654
2016	572,729
2017	544,733
2018	<u>141,429</u>
Total Minimum Rentals	<u>\$2,123,545</u>
Rental Expenditures in Fiscal Year 2014	<u>\$ 445,153</u>

**NOTE 22. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION**

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in no functional categories for the year ended August 31, 2014.

**NOTE 23. 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, 2014, the District contributed none to the fiscal agent as its share of the costs of the joint venture.



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## COMBINING SCHEDULES

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2014

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
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	324,636	882,479	6,681	-
1410	Prepayments	-	36,842	-	-
1000	Total Assets	<u>\$ 324,636</u>	<u>\$ 919,321</u>	<u>\$ 6,681</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 1,505	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	31,921	121,143	-	-
2170	Due to Other Funds	291,210	798,178	6,681	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>324,636</u>	<u>919,321</u>	<u>6,681</u>	<u>-</u>
<b>FUND BALANCES</b>					
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>\$ 324,636</u>	<u>\$ 919,321</u>	<u>\$ 6,681</u>	<u>\$ -</u>

255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC	289 Summer School LEP	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,026	\$ -	\$ 14,277
46,025	59,447	6,500	-	-	-	645,529	-
-	-	-	-	-	-	-	-
<u>\$ 46,025</u>	<u>\$ 59,447</u>	<u>\$ 6,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,026</u>	<u>\$ 645,529</u>	<u>\$ 14,277</u>
\$ -	\$ 2,051	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4,597	-	-	-	-	-	-	-
41,428	57,396	2,395	-	-	-	550,973	-
-	-	4,105	-	-	2,026	94,556	14,277
<u>46,025</u>	<u>59,447</u>	<u>6,500</u>	<u>-</u>	<u>-</u>	<u>2,026</u>	<u>645,529</u>	<u>14,277</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 46,025</u>	<u>\$ 59,447</u>	<u>\$ 6,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,026</u>	<u>\$ 645,529</u>	<u>\$ 14,277</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2014

Data Control Codes		461 Campus Activity Funds	481 Cargill Donation Fund	482 Gen Youth Foundation	483 Meadows Foundation
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 844,120	\$ 27,144	\$ 238	\$ 41
1240	Receivables from Other Governments	-	-	-	-
1410	Prepayments	-	-	-	-
1000	Total Assets	<u>\$ 844,120</u>	<u>\$ 27,144</u>	<u>\$ 238</u>	<u>\$ 41</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 45,867	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	207	-	-	-
2170	Due to Other Funds	-	-	-	-
2300	Unearned Revenues	-	27,144	238	41
2000	Total Liabilities	<u>46,074</u>	<u>27,144</u>	<u>238</u>	<u>41</u>
<b>FUND BALANCES</b>					
Committed Fund Balance:					
3545	Other Committed Fund Balance	798,046	-	-	-
3000	Total Fund Balances	<u>798,046</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 844,120</u>	<u>\$ 27,144</u>	<u>\$ 238</u>	<u>\$ 41</u>

484 Dairy Max Foundation	499 Microsoft Grant	Total Nonmajor Governmental Funds
\$ 613	\$ 6,000	\$ 894,459
-	-	1,971,297
-	-	36,842
<u>\$ 613</u>	<u>\$ 6,000</u>	<u>\$ 2,902,598</u>
\$ -	\$ -	\$ 49,423
-	-	157,868
-	-	1,748,261
613	6,000	149,000
<u>613</u>	<u>6,000</u>	<u>2,104,552</u>
-	-	798,046
-	-	798,046
<u>\$ 613</u>	<u>\$ 6,000</u>	<u>\$ 2,902,598</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, 2014

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	1,077,936	3,046,021	22,191	106,992
5020	Total Revenues	<u>1,077,936</u>	<u>3,046,021</u>	<u>22,191</u>	<u>106,992</u>
EXPENDITURES:					
Current:					
0011	Instruction	975,806	2,904,009	22,191	106,992
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	40,511	5,308	-	-
0021	Instructional Leadership	59,096	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	135,984	-	-
0033	Health Services	-	720	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0061	Community Services	2,523	-	-	-
6030	Total Expenditures	<u>1,077,936</u>	<u>3,046,021</u>	<u>22,191</u>	<u>106,992</u>
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC	289 Summer School LEP	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	10,640	20,675	2,682,188	-
160,273	172,782	33,000	11,131	-	-	-	-
160,273	172,782	33,000	11,131	10,640	20,675	2,682,188	-
-	162,867	-	11,131	10,640	-	2,682,188	-
-	-	-	-	-	-	-	-
157,773	9,078	-	-	-	20,675	-	-
2,500	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	837	33,000	-	-	-	-	-
160,273	172,782	33,000	11,131	10,640	20,675	2,682,188	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



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, 2014

Data Control Codes		461 Campus Activity Funds	481 Cargill Donation Fund	482 Gen Youth Foundation	483 Meadows Foundation
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,408,572	\$ 170	\$ -	\$ 1,959
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	<u>1,408,572</u>	<u>170</u>	<u>-</u>	<u>1,959</u>
EXPENDITURES:					
Current:					
0011	Instruction	831,820	170	-	-
0012	Instructional Resources and Media Services	143,905	-	-	-
0013	Curriculum and Instructional Staff Development	1,659	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	48,178	-	-	-
0031	Guidance, Counseling and Evaluation Services	1,454	-	-	-
0033	Health Services	-	-	-	-
0036	Extracurricular Activities	320,451	-	-	1,959
0041	General Administration	186	-	-	-
0052	Security and Monitoring Services	140	-	-	-
0061	Community Services	-	-	-	-
6030	Total Expenditures	<u>1,347,793</u>	<u>170</u>	<u>-</u>	<u>1,959</u>
1200	Net Change in Fund Balance	60,779	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>737,267</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 798,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

484 Dairy Max Foundation	499 Microsoft Grant	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 1,410,701
-	-	2,713,503
-	-	4,630,326
-	-	8,754,530
-	-	7,707,814
-	-	143,905
-	-	235,004
-	-	61,596
-	-	48,178
-	-	137,438
-	-	720
-	-	322,410
-	-	186
-	-	140
-	-	36,360
-	-	8,693,751
-	-	60,779
-	-	737,267
\$ -	\$ -	\$ 798,046

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## REQUIRED T.E.A. SCHEDULES

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ Various
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	1.040000	0.500000	5,959,427,468
2014 (School year under audit)	1.170000	0.370000	6,249,566,429
1000 TOTALS			

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 765,317	\$ -	\$ 4,070	\$ 912	\$ 752	\$ 761,087
81,877	-	2,886	765	-	78,226
77,440	-	3,980	1,175	(378)	71,907
76,498	-	3,798	1,576	1,388	72,512
119,536	-	15,590	7,359	16,602	113,189
153,253	-	21,043	9,932	27,240	149,518
143,501	-	28,997	14,560	26,613	126,557
289,860	-	101,706	49,372	5,264	144,046
854,290	-	263,163	126,521	(125,030)	339,576
-	96,243,323	72,455,372	22,913,237	-	874,714
<u>\$ 2,561,572</u>	<u>\$ 96,243,323</u>	<u>\$ 72,900,605</u>	<u>\$ 23,125,409</u>	<u>\$ (47,549)</u>	<u>\$ 2,731,332</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2014

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	\$ 3,532,609	\$ 3,695,109	\$ 3,746,199	\$ 51,090
5800 State Program Revenues	-	-	40,096	40,096
5900 Federal Program Revenues	3,954,018	4,254,018	4,264,075	10,057
5020 Total Revenues	7,486,627	7,949,127	8,050,370	101,243
EXPENDITURES:				
Current:				
0035 Food Services	6,943,325	8,026,324	7,868,886	157,438
6030 Total Expenditures	6,943,325	8,026,324	7,868,886	157,438
1200 Net Change in Fund Balances	543,302	(77,197)	181,484	258,681
0100 Fund Balance - September 1 (Beginning)	1,101,911	1,101,911	1,101,911	-
3000 Fund Balance - August 31 (Ending)	\$ 1,645,213	\$ 1,024,714	\$ 1,283,395	\$ 258,681

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2014

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	\$ 23,850,000	\$ 23,707,177	\$ 23,250,885	\$ (456,292)
5800	State Program Revenues	-	69,481	57,027	(12,454)
5900	Federal Program Revenues	1,406,000	1,406,000	1,490,295	84,295
5020	Total Revenues	25,256,000	25,182,658	24,798,207	(384,451)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	7,843,419	7,843,419	7,843,419	-
0072	Interest on Long Term Debt	24,656,433	24,656,433	24,143,798	512,635
0073	Bond Issuance Cost and Fees	200,000	715,738	539,870	175,868
6030	Total Expenditures	32,699,852	33,215,590	32,527,087	688,503
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,443,852)	(8,032,932)	(7,728,880)	304,052
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Refunding Bonds)	-	74,915,000	20,690,000	(54,225,000)
7915	Transfers In	8,200,000	8,200,000	8,200,000	-
7916	Premium or Discount on Issuance of Bonds	-	3,941,148	3,941,148	-
8940	Payment to Bond Refunding Escrow Agent (Use)	-	(78,844,957)	(24,619,957)	54,225,000
7080	Total Other Financing Sources (Uses)	8,200,000	8,211,191	8,211,191	-
1200	Net Change in Fund Balances	756,148	178,259	482,311	304,052
0100	Fund Balance - September 1 (Beginning)	2,719,073	2,719,073	2,719,073	-
3000	Fund Balance - August 31 (Ending)	\$ 3,475,221	\$ 2,897,332	\$ 3,201,384	\$ 304,052



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## FEDERAL AWARDS SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eagle Mountain-Saginaw Independent School District, as of and for the year ended August 31, 2014, 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, 2015.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Hankins, Eastup, Deaton, Tonn & Seay*

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

January 20, 2015

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, 2014. 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, 2014.

## 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, 2015

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2014

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:  
Material weakness(es) identified: None  
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:  
Material weakness(es) identified: None  
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported under Section .510(a)2-7 of OMB Circular A-133: No
7. Major programs include:  
  
CFDA 84.027, 84.173 - IDEA, Part B Cluster
8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Other Findings

None



EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2014

Contact Person	Jim Schiele, Chief Financial Officer
FINDING	Competitive bidding violation
STATUS	There are no violations of the competitive bid regulations during the current fiscal year. The District continues 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, 2014

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<u>Direct Programs</u>			
ROTC	12.000	01-220918	\$ 54,822
Total Direct Programs			\$ 54,822
<b>TOTAL DEPARTMENT OF DEFENSE</b>			<b>\$ 54,822</b>
 <b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101220918	\$ 113,455
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101220918	964,481
Total CFDA Number 84.010A			1,077,936
Total Title I, Part A Cluster			1,077,936
*IDEA - Part B, Formula	84.027	136600012209186600	16,240
*IDEA - Part B, Formula	84.027	146600012209186600	2,906,523
*IDEA - Part B, Formula	84.027	156600012209186600	123,258
Total CFDA Number 84.027			3,046,021
*IDEA - Part B, Preschool	84.173	136610012209186610	747
*IDEA - Part B, Preschool	84.173	146610012209186610	20,462
*IDEA - Part B, Preschool	84.173	156610012209186610	982
Total CFDA Number 84.173			22,191
Total Special Education Cluster (IDEA)			3,068,212
Career and Technical - Basic Grant	84.048	14420006220918	106,992
Title III, Part A - English Language Acquisition	84.365A	13671001220918	2,443
Title III, Part A - English Language Acquisition	84.365A	14671001220918	170,339
Total CFDA Number 84.365A			172,782
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501220918	26,683
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501220918	133,590
Total CFDA Number 84.367A			160,273
Summer School LEP	84.369A	69551302	11,131
Total Passed Through State Department of Education			\$ 4,597,326
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 4,597,326</b>
 <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Direct Programs</u>			
Medicaid Administrative Claiming Program - MAC	93.778	01-220918	\$ 33,000
Total Direct Programs			\$ 33,000
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ 33,000</b>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2014

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401401	\$ 736,879
*National School Lunch Program - Cash Assistance	10.555	71301401	3,058,664
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301401	468,532
Total CFDA Number 10.555			<u>3,527,196</u>
Total Child Nutrition Cluster			<u>4,264,075</u>
Total Passed Through the State Department of Agriculture			<u>\$ 4,264,075</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>\$ 4,264,075</u>
 <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			 <u><u>\$ 8,949,223</u></u>

\*Clustered Programs

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2014

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, 2014, 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	\$ 8,949,223
Indirect Costs	103,078
Medicaid Reimbursement (SHARS)	735,766
Federal Interest Subsidy-Bonds	<u>1,490,295</u>
Federal Revenues per Financial Statements	<u>\$11,278,362</u>

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