



**EAGLE MOUNTAIN
SAGINAW ISD**

Fostering a Culture of Excellence

ANNUAL FINANCIAL REPORT

Eagle Mountain-Saginaw Independent School District
Fort Worth, Texas

for the
Year Ended August 31, 2020

Jim F. Chadwell, Ed.D.
Superintendent

Prepared by EMS ISD Business Office

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Chief Financial Officer

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Executive Director of Finance

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT FOR THE

YEAR ENDED AUGUST 31, 2020

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2020

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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, 2020, 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, 2020, 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 and the *pension and OPEB schedules* on pages 68 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2021 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 16, 2021

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020
(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, 2020. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 17.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of Eagle Mountain-Saginaw Independent School District exceeded its assets and deferred outflows at the close of the most recent fiscal period by \$94,743,908 (net deficit position).
- The District's total net position increased by \$13,432,952 during the fiscal year from the result of current year operations.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$173,941,891. Over 27% of this total amount (\$48,043,535) is unassigned and available for use within the District's commitments and policies.
- At the end of the current fiscal period, the unassigned fund balance of the general fund of \$48,043,535 was 24.8% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

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

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District maintains twenty-one 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 seventeen 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 31. 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.

The District's total net position increased by \$13,432,952 during the fiscal year from the result of current year operations. 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 a \$67,986,888 deficit at August 31, 2020. The increase of \$13,432,952 in governmental activities net position from current operations was the result of several factors. First, the District's revenues exceeded expenditures by \$32,306,978 (as adjusted for the effects of capital outlay and debt service principal payments.) However, the District recorded depreciation expense, which is a non-cash expense that reduces the value of District assets, in the amount of \$16,085,753. In addition, various adjustments totaling \$2,788,273 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.

**Table I
NET POSITION**

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|-----------------|-----------------------------|-----------|------------------|-----------------|
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Current and other assets | \$ 95,551,855 | \$ 200,890,792 | \$ 15,122 | \$ 17,540 | \$ 95,566,977 | \$ 200,908,332 |
| Capital assets | 581,900,036 | 619,841,147 | - | - | 581,900,036 | 619,841,147 |
| Total assets | 677,451,891 | 820,731,939 | 15,122 | 17,540 | 677,467,013 | 820,749,479 |
| Deferred outflows of resources | 79,582,797 | 83,505,236 | - | - | 79,582,797 | 83,505,236 |
| Total assets and deferred outflows of resources | 757,034,688 | 904,237,175 | 15,122 | 17,540 | 757,049,810 | 904,254,715 |
| Long-term liabilities | 810,041,674 | 931,688,482 | - | - | 810,041,674 | 931,688,482 |
| Other liabilities | 26,250,978 | 25,562,099 | 15,122 | 17,540 | 26,266,100 | 25,579,639 |
| Total liabilities | 836,292,652 | 957,250,581 | 15,122 | 17,540 | 836,307,774 | 957,268,121 |
| Deferred inflows of resources | 28,918,896 | 41,730,502 | - | - | 28,918,896 | 41,730,502 |
| Total liabilities and deferred inflows of resources | 865,211,548 | 998,981,083 | 15,122 | 17,540 | 865,226,670 | 998,998,623 |
| Net Position: | | | | | | |
| Net investments in capital assets | (43,430,535) | (35,166,276) | - | - | (43,430,535) | (35,166,276) |
| Restricted | 8,099,340 | 8,409,256 | - | - | 8,099,340 | 8,409,256 |
| Unrestricted | (72,845,665) | (67,986,888) | - | - | (72,845,665) | (67,986,888) |
| Total Net Position | \$ (108,176,860) | \$ (94,743,908) | \$ - | \$ - | \$ (108,176,860) | \$ (94,743,908) |

Table II
CHANGES IN NET POSITION

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|------------------------|-----------------------------|----------------|-------------------------|------------------------|
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 15,506,431 | \$ 11,319,215 | \$ 736,377 | \$ 571,456 | \$ 16,242,808 | \$ 11,890,671 |
| Operating grants and contributions | 24,306,258 | 23,650,138 | - | - | 24,306,258 | 23,650,138 |
| General Revenues: | | | | | | |
| Maintenance and operations taxes | 108,488,133 | 111,999,570 | - | - | 108,488,133 | 111,999,570 |
| Debt service taxes | 34,259,103 | 47,147,948 | - | - | 34,259,103 | 47,147,948 |
| State aid - formula grants | 60,157,543 | 73,046,667 | - | - | 60,157,543 | 73,046,667 |
| Interest earnings | 3,437,706 | 2,776,224 | - | - | 3,437,706 | 2,776,224 |
| Miscellaneous | 552,080 | 710,610 | - | - | 552,080 | 710,610 |
| Total Revenue | <u>246,707,254</u> | <u>270,650,372</u> | <u>736,377</u> | <u>571,456</u> | <u>247,443,631</u> | <u>271,221,828</u> |
| Expenses: | | | | | | |
| Instruction, curriculum and media services | 130,255,109 | 143,827,825 | 822,528 | 815,646 | 131,077,637 | 144,643,471 |
| Instructional and school leadership | 14,704,128 | 16,430,860 | - | - | 14,704,128 | 16,430,860 |
| Student support services | 17,324,113 | 18,428,771 | - | - | 17,324,113 | 18,428,771 |
| Food services | 9,591,941 | 8,964,494 | - | - | 9,591,941 | 8,964,494 |
| Extracurricular activities | 7,566,497 | 8,076,577 | - | - | 7,566,497 | 8,076,577 |
| General administration | 6,978,635 | 8,091,675 | - | - | 6,978,635 | 8,091,675 |
| Plant maintenance, security and data processing | 25,435,983 | 29,294,812 | - | - | 25,435,983 | 29,294,812 |
| Debt services | 28,360,051 | 22,942,480 | - | - | 28,360,051 | 22,942,480 |
| Intergovernmental charges | 1,420,544 | 915,736 | - | - | 1,420,544 | 915,736 |
| Total Expenses | <u>241,637,001</u> | <u>256,973,230</u> | <u>822,528</u> | <u>815,646</u> | <u>242,459,529</u> | <u>257,788,876</u> |
| Change in net position | 5,070,253 | 13,677,142 | (86,151) | (244,190) | 4,984,102 | 13,432,952 |
| Transfers in (out) | (81,704) | (244,190) | 81,704 | 244,190 | - | - |
| Net Position (deficit) - beginning of year | <u>(113,165,409)</u> | <u>(108,176,860)</u> | <u>4,447</u> | <u>-</u> | <u>(113,160,962)</u> | <u>(108,176,860)</u> |
| Net Position (deficit) - end of year | <u>\$ (108,176,860)</u> | <u>\$ (94,743,908)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (108,176,860)</u> | <u>\$ (94,743,908)</u> |

The cost of all governmental activities for the current fiscal period was \$256,973,230. 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 \$159,147,698 because some of the costs were paid by those who directly benefited from the programs (\$11,319,215) or State funding (\$73,046,667).

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 \$173,941,891 an increase of \$105,966,944 from the previous year. Approximately 94 percent of this total amount (\$162,980,866) 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 (\$6,132,472) or food service (\$1,119,337), or already spent on inventories (\$361,652) or prepaid items (\$3,347,564).

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 \$48,043,535, while the total fund balance was \$54,496,854. 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 24.82 percent of the total general fund expenditures, while the total fund balance represents 28.15 percent of that same amount.

The fund balance of the District's general fund increased by \$7,999,641 during the current fiscal year compared to a \$10,778,434 increase in the prior year. Key factors related to this change are as follows:

- The District realized \$3,193,096 more property tax revenue and \$14,852,287 more State funding in the current year compared to the prior year. However, this was offset by an increase in total expenditures of \$21,389,932 or 12.42%.

The debt service fund has a total fund balance of \$6,132,472, 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 was \$979,012.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund increased by \$97,657,387, due to \$148,690,000 bond proceeds offset by \$52,225,702 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, 2019). 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 \$54,496,854 reported on page 20 differs from the General Fund's budgetary fund balance of \$46,320,629 reported in the budgetary comparison schedule on page 27. This is principally due to cost savings in several functional expenditure categories and greater than expected State revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2020, the District had \$619,841,147 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$37,941,111, or 6.52 percent, above last year.

This fiscal year's major additions included:

| | |
|--|---------------------|
| Continuing construction costs on a new elementary school | \$17,739,572 |
| Initial construction costs on a new elementary school | 3,383,502 |
| Renovation costs on several campus projects | <u>14,108,520</u> |
| Totaling | <u>\$35,231,594</u> |

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

Debt Administration

At year-end, the District had \$807,019,252 in long-term debt (outstanding bonds plus accreted interest and premiums/discounts on bonds, maintenance tax notes and capital leases) versus \$677,717,241 last year—an increase of \$129,302,011 or 19.08 percent. Debt issuances during the fiscal period consisted of one building bond series and two bond refunding series. 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 \$10,465,123,254, which is in excess of the District’s outstanding general obligation debt.

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The 2019-2020 fiscal year was the fourth year where one of the focuses of the budget was to continue to increase fund balance to meet and maintain the requirement of the board to meet 90 days of operations. Currently, the District has been able to meet and maintain the 90 day level for two consecutive years. Past and potential future challenges to meeting this requirement have included the acceleration of enrollment and the need to open new schools to accommodate this growth. Those openings have a significant initial year increase that is not offset by the increase revenue from enrollment increases.

In the 2019 legislative session, the school finance system was replaced by a new system – referred to as “HB3”. The new system provides for local property tax relief based on local property value growth in comparison to the state average. As such the District was able to reduce the overall tax rate by \$0.0219 for the 2020-2021 school year. New home construction continues to contribute to a strong, stable property tax base.

The District continues to experience the impact of new charter schools in the area; although the impact is moderate compared to the impact experienced in prior years. While charter schools will continue to present potential challenges, the District works to minimize the impact created by the fluctuations in enrollment caused by the operation of charter schools.

The 2019-2020 year was impacted by the COVID-19 pandemic as the District had to make significant adjustments to the delivery of instruction when schools were forced into remote learning. New needs emerged and resources were redistributed to meet the new priorities for technology and safety supplies including personal protection equipment. State funding levels were secured by the Federal CARES Act, minimizing impacts to District resources.

For the 2020-2021 budget and beyond, the District is addressing the needs of the continued changes brought forth by operating during the COVID-19 pandemic and continues to position itself to 1) accommodate growth, 2) provide quality instruction and options for our students, and 3) be competitive in the labor market for needed employees. The District will also balance the unforeseen needs during the pandemic with maintaining fund balance levels and the current AA- rating for the issuance of future debt.

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.

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BASIC FINANCIAL STATEMENTS

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EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2020

EXHIBIT A-1

| Data Control Codes | 1 | 2 Primary Government | 3 |
|--|----------------------------|--------------------------------|------------------------|
| | Governmental Activities | Business Type Activities | Total |
| ASSETS | | | |
| 1110 Cash and Cash Equivalents | \$ 185,199,360 | \$ 17,540 | \$ 185,216,900 |
| 1220 Property Taxes - Delinquent | 2,720,849 | - | 2,720,849 |
| 1230 Allowance for Uncollectible Taxes | (136,043) | - | (136,043) |
| 1240 Due from Other Governments | 9,145,339 | - | 9,145,339 |
| 1290 Other Receivables, Net | 252,071 | - | 252,071 |
| 1300 Inventories | 361,652 | - | 361,652 |
| 1410 Prepayments | 3,347,564 | - | 3,347,564 |
| Capital Assets: | | | |
| 1510 Land | 38,959,109 | - | 38,959,109 |
| 1520 Buildings, Net | 508,036,054 | - | 508,036,054 |
| 1530 Furniture and Equipment, Net | 12,846,887 | - | 12,846,887 |
| 1580 Construction in Progress | 59,999,097 | - | 59,999,097 |
| 1000 Total Assets | <u>820,731,939</u> | <u>17,540</u> | <u>820,749,479</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| 1701 Deferred Charge for Refunding | 40,815,122 | - | 40,815,122 |
| 1705 Deferred Outflow Related to TRS Pension | 30,762,590 | - | 30,762,590 |
| 1706 Deferred Outflow Related to TRS OPEB | 11,927,524 | - | 11,927,524 |
| 1700 Total Deferred Outflows of Resources | <u>83,505,236</u> | <u>-</u> | <u>83,505,236</u> |
| LIABILITIES | | | |
| 2110 Accounts Payable | 11,265,143 | - | 11,265,143 |
| 2150 Payroll Deductions and Withholdings | 1,980,042 | - | 1,980,042 |
| 2160 Accrued Wages Payable | 10,340,081 | 17,540 | 10,357,621 |
| 2180 Due to Other Governments | 70,307 | - | 70,307 |
| 2200 Accrued Expenses | 1,250,162 | - | 1,250,162 |
| 2300 Unearned Revenue | 656,364 | - | 656,364 |
| Noncurrent Liabilities: | | | |
| 2501 Due Within One Year | 25,960,657 | - | 25,960,657 |
| 2502 Due in More Than One Year | 781,058,595 | - | 781,058,595 |
| 2540 Net Pension Liability (District's Share) | 57,568,261 | - | 57,568,261 |
| 2545 Net OPEB Liability (District's Share) | 67,100,969 | - | 67,100,969 |
| 2000 Total Liabilities | <u>957,250,581</u> | <u>17,540</u> | <u>957,268,121</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| 2605 Deferred Inflow Related to TRS Pension | 12,700,158 | - | 12,700,158 |
| 2606 Deferred Inflow Related to TRS OPEB | 29,030,344 | - | 29,030,344 |
| 2600 Total Deferred Inflows of Resources | <u>41,730,502</u> | <u>-</u> | <u>41,730,502</u> |
| NET POSITION | | | |
| 3200 Net Investment in Capital Assets | (35,166,276) | - | (35,166,276) |
| Restricted: | | | |
| 3820 Restricted for Federal and State Programs | 1,375,234 | - | 1,375,234 |
| 3850 Restricted for Debt Service | 6,132,472 | - | 6,132,472 |
| 3870 Restricted for Campus Activities | 901,550 | - | 901,550 |
| 3900 Unrestricted | (67,986,888) | - | (67,986,888) |
| 3000 Total Net Position | <u>\$ (94,743,908)</u> | <u>\$ -</u> | <u>\$ (94,743,908)</u> |

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | 1 | Program Revenues | |
|--|-----------------------|-------------------------|--|
| | | 3 | 4 |
| | Expenses | Charges for Services | Operating Grants and Contributions |
| Primary Government: | | | |
| GOVERNMENTAL ACTIVITIES: | | | |
| 11 Instruction | \$ 136,597,465 | \$ 24,251 | \$ 16,065,293 |
| 12 Instructional Resources and Media Services | 2,782,107 | - | 239,167 |
| 13 Curriculum and Instructional Staff Development | 4,448,253 | - | 763,001 |
| 21 Instructional Leadership | 2,486,083 | - | 170,475 |
| 23 School Leadership | 13,944,777 | - | 840,249 |
| 31 Guidance, Counseling, and Evaluation Services | 10,127,584 | - | 845,133 |
| 32 Social Work Services | 176,826 | - | - |
| 33 Health Services | 2,631,965 | 2,798,633 | 353,877 |
| 34 Student (Pupil) Transportation | 5,492,396 | - | 532,054 |
| 35 Food Services | 8,964,494 | 7,263,763 | 574,312 |
| 36 Extracurricular Activities | 8,076,577 | 381,574 | 439,174 |
| 41 General Administration | 8,091,675 | 785,759 | 284,707 |
| 51 Facilities Maintenance and Operations | 23,100,173 | 65,235 | 464,248 |
| 52 Security and Monitoring Services | 2,259,109 | - | 39,758 |
| 53 Data Processing Services | 3,664,714 | - | 79,403 |
| 61 Community Services | 270,816 | - | 132,501 |
| 72 Debt Service - Interest on Long-Term Debt | 20,941,534 | - | 1,826,786 |
| 73 Debt Service - Bond Issuance Cost and Fees | 2,000,946 | - | - |
| 93 Payments Related to Shared Services Arrangements | 121,045 | - | - |
| 95 Payments to Juvenile Justice Alternative Ed. Prg. | 16,512 | - | - |
| 99 Other Intergovernmental Charges | 778,179 | - | - |
| [TG] Total Governmental Activities: | <u>256,973,230</u> | <u>11,319,215</u> | <u>23,650,138</u> |
| BUSINESS-TYPE ACTIVITIES: | | | |
| 01 Employee Child Care | 815,646 | 571,456 | - |
| [TB] Total Business-Type Activities: | <u>815,646</u> | <u>571,456</u> | <u>-</u> |
| [TP] TOTAL PRIMARY GOVERNMENT: | <u>\$ 257,788,876</u> | <u>\$ 11,890,671</u> | <u>\$ 23,650,138</u> |

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

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

| Net (Expense) Revenue and Changes in Net Position | | |
|--|-----------------------------|------------------------|
| 6 | 7 | 8 |
| Primary Government | | |
| Governmental Activities | Business-type Activities | Total |
| \$ (120,507,921) | \$ - | \$ (120,507,921) |
| (2,542,940) | - | (2,542,940) |
| (3,685,252) | - | (3,685,252) |
| (2,315,608) | - | (2,315,608) |
| (13,104,528) | - | (13,104,528) |
| (9,282,451) | - | (9,282,451) |
| (176,826) | - | (176,826) |
| 520,545 | - | 520,545 |
| (4,960,342) | - | (4,960,342) |
| (1,126,419) | - | (1,126,419) |
| (7,255,829) | - | (7,255,829) |
| (7,021,209) | - | (7,021,209) |
| (22,570,690) | - | (22,570,690) |
| (2,219,351) | - | (2,219,351) |
| (3,585,311) | - | (3,585,311) |
| (138,315) | - | (138,315) |
| (19,114,748) | - | (19,114,748) |
| (2,000,946) | - | (2,000,946) |
| (121,045) | - | (121,045) |
| (16,512) | - | (16,512) |
| (778,179) | - | (778,179) |
| <u>(222,003,877)</u> | <u>-</u> | <u>(222,003,877)</u> |
| - | (244,190) | (244,190) |
| - | (244,190) | (244,190) |
| <u>(222,003,877)</u> | <u>(244,190)</u> | <u>(222,248,067)</u> |
| 111,999,570 | - | 111,999,570 |
| 47,147,948 | - | 47,147,948 |
| 73,046,667 | - | 73,046,667 |
| 2,776,224 | - | 2,776,224 |
| 710,610 | - | 710,610 |
| (244,190) | 244,190 | - |
| <u>235,436,829</u> | <u>244,190</u> | <u>235,681,019</u> |
| 13,432,952 | - | 13,432,952 |
| (108,176,860) | - | (108,176,860) |
| <u>\$ (94,743,908)</u> | <u>\$ -</u> | <u>\$ (94,743,908)</u> |

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2020

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | 60 Capital Projects |
|--|-----------------------|----------------------------|---------------------------|
| ASSETS | | | |
| 1110 Cash and Cash Equivalents | \$ 55,710,651 | \$ 5,848,286 | \$ 120,864,502 |
| 1220 Property Taxes - Delinquent | 2,037,118 | 683,731 | - |
| 1230 Allowance for Uncollectible Taxes | (101,856) | (34,187) | - |
| 1240 Due from Other Governments | 7,308,006 | 280,062 | - |
| 1260 Due from Other Funds | 1,116,364 | 51,331 | - |
| 1290 Other Receivables | 249,094 | - | - |
| 1300 Inventories | 133,258 | - | - |
| 1410 Prepayments | 3,320,061 | - | - |
| 1000 Total Assets | <u>\$ 69,772,696</u> | <u>\$ 6,829,223</u> | <u>\$ 120,864,502</u> |
| LIABILITIES | | | |
| 2110 Accounts Payable | \$ 1,287,361 | \$ - | \$ 9,828,721 |
| 2150 Payroll Deductions and Withholdings Payable | 1,980,042 | - | - |
| 2160 Accrued Wages Payable | 9,946,588 | - | - |
| 2170 Due to Other Funds | 51,331 | - | - |
| 2180 Due to Other Governments | 39,952 | 30,355 | - |
| 2300 Unearned Revenue | - | - | - |
| 2000 Total Liabilities | <u>13,305,274</u> | <u>30,355</u> | <u>9,828,721</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| 2601 Unavailable Revenue - Property Taxes | 1,970,568 | 666,396 | - |
| 2600 Total Deferred Inflows of Resources | <u>1,970,568</u> | <u>666,396</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable Fund Balance: | | | |
| 3410 Inventories | 133,258 | - | - |
| 3430 Prepaid Items | 3,320,061 | - | - |
| Restricted Fund Balance: | | | |
| 3450 Federal or State Funds Grant Restriction | - | - | - |
| 3480 Retirement of Long-Term Debt | - | 6,132,472 | - |
| Committed Fund Balance: | | | |
| 3510 Construction | 3,000,000 | - | 111,035,781 |
| 3545 Other Committed Fund Balance | - | - | - |
| 3600 Unassigned Fund Balance | 48,043,535 | - | - |
| 3000 Total Fund Balances | <u>54,496,854</u> | <u>6,132,472</u> | <u>111,035,781</u> |
| 4000 Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 69,772,696</u> | <u>\$ 6,829,223</u> | <u>\$ 120,864,502</u> |

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

| Child Nutrition Fund | Other Funds | Total Governmental Funds |
|----------------------------|---------------------|--------------------------------|
| \$ 1,364,496 | \$ 1,411,425 | \$ 185,199,360 |
| - | - | 2,720,849 |
| - | - | (136,043) |
| 7,945 | 1,549,326 | 9,145,339 |
| - | - | 1,167,695 |
| 2,977 | - | 252,071 |
| 228,394 | - | 361,652 |
| 27,503 | - | 3,347,564 |
| <u>\$ 1,631,315</u> | <u>\$ 2,960,751</u> | <u>\$ 202,058,487</u> |
| \$ 40,180 | \$ 108,881 | \$ 11,265,143 |
| - | - | 1,980,042 |
| 18,671 | 374,822 | 10,340,081 |
| - | 1,116,364 | 1,167,695 |
| - | - | 70,307 |
| 197,230 | 459,134 | 656,364 |
| <u>256,081</u> | <u>2,059,201</u> | <u>25,479,632</u> |
| - | - | 2,636,964 |
| - | - | 2,636,964 |
| 228,394 | - | 361,652 |
| 27,503 | - | 3,347,564 |
| 1,119,337 | - | 1,119,337 |
| - | - | 6,132,472 |
| - | - | 114,035,781 |
| - | 901,550 | 901,550 |
| - | - | 48,043,535 |
| <u>1,375,234</u> | <u>901,550</u> | <u>173,941,891</u> |
| <u>\$ 1,631,315</u> | <u>\$ 2,960,751</u> | <u>\$ 202,058,487</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, 2020

EXHIBIT C-2

| | | |
|---|-----------|---------------------|
| Total Fund Balances - Governmental Funds | \$ | 173,941,891 |
| 1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements. | | 856,756,857 |
| 2 Accumulated depreciation has not been included in the governmental fund financial statements. | | (236,915,710) |
| 3 Bonds payable have not been included in the governmental fund financial statements. | | (713,120,711) |
| 4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$57,568,261, a Deferred Resource Inflow related to TRS in the amount of \$12,700,158 and a Deferred Resource Outflow related to TRS in the amount of \$30,762,590. This amounted to a decrease in Net Position in the amount of \$39,505,829. | | (39,505,829) |
| 5 Included in the items related to debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$67,100,969, a Deferred Resource Inflow related to TRS OPEB in the amount of \$29,030,344, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$11,927,524. This amounted to a net decrease in Net Position in the amount of \$84,203,789. | | (84,203,789) |
| 6 Capital leases payable have not been included in the fund financial statements. | | (50,104) |
| 7 Maintenance tax notes payable have not been included in the fund financial statements. | | (5,618,000) |
| 8 Accreted interest for capital appreciation bonds have not been included in the governmental fund financial statements. | | (160,926) |
| 9 Unavailable revenue on property taxes in the fund financial statements was recorded as revenue in the district-wide financial statements. | | 2,636,964 |
| 10 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. | | (1,250,162) |
| 11 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. | | 40,815,122 |
| 12 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. | | (88,069,511) |
| 19 Net Position of Governmental Activities | \$ | (94,743,908) |

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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | 60 Capital Projects |
|--|-----------------------|----------------------------|---------------------------|
| REVENUES: | | | |
| 5700 Total Local and Intermediate Sources | \$ 114,266,022 | \$ 47,354,678 | \$ 1,193,089 |
| 5800 State Program Revenues | 83,903,453 | 791,133 | - |
| 5900 Federal Program Revenues | 3,648,178 | 1,035,653 | - |
| 5020 Total Revenues | <u>201,817,653</u> | <u>49,181,464</u> | <u>1,193,089</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 Instruction | 111,008,384 | - | - |
| 0012 Instructional Resources and Media Services | 2,354,381 | - | - |
| 0013 Curriculum and Instructional Staff Development | 3,399,513 | - | - |
| 0021 Instructional Leadership | 2,194,417 | - | - |
| 0023 School Leadership | 12,068,874 | - | - |
| 0031 Guidance, Counseling, and Evaluation Services | 8,548,896 | - | - |
| 0032 Social Work Services | 164,850 | - | - |
| 0033 Health Services | 2,271,373 | - | - |
| 0034 Student (Pupil) Transportation | 5,492,396 | - | - |
| 0035 Food Services | 230,116 | - | - |
| 0036 Extracurricular Activities | 7,355,300 | - | - |
| 0041 General Administration | 7,356,158 | - | - |
| 0051 Facilities Maintenance and Operations | 22,242,458 | - | - |
| 0052 Security and Monitoring Services | 1,889,647 | - | - |
| 0053 Data Processing Services | 4,360,799 | - | - |
| 0061 Community Services | 61,713 | - | - |
| Debt Service: | | | |
| 0071 Principal on Long-Term Debt | 1,490,610 | 21,258,938 | - |
| 0072 Interest on Long-Term Debt | 191,697 | 26,909,260 | - |
| 0073 Bond Issuance Cost and Fees | 300 | 928,244 | 1,072,402 |
| Capital Outlay: | | | |
| 0081 Facilities Acquisition and Construction | - | - | 52,225,702 |
| Intergovernmental: | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | 121,045 | - | - |
| 0095 Payments to Juvenile Justice Alternative Ed. Prg. | 16,512 | - | - |
| 0099 Other Intergovernmental Charges | 778,179 | - | - |
| 6030 Total Expenditures | <u>193,597,618</u> | <u>49,096,442</u> | <u>53,298,104</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>8,220,035</u> | <u>85,022</u> | <u>(52,105,015)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| 7911 Capital Related Debt Issued | - | 92,215,000 | 135,755,000 |
| 7912 Sale of Real and Personal Property | 66,296 | - | - |
| 7916 Premium or Discount on Issuance of Bonds | - | 17,128,132 | 14,007,402 |
| 8911 Transfers Out (Use) | (244,190) | - | - |
| 8949 Other (Uses) | (42,500) | (108,449,142) | - |
| 7080 Total Other Financing Sources (Uses) | <u>(220,394)</u> | <u>893,990</u> | <u>149,762,402</u> |
| 1200 Net Change in Fund Balances | 7,999,641 | 979,012 | 97,657,387 |
| 0100 Fund Balance - September 1 (Beginning) | 46,497,213 | 5,153,460 | 13,378,394 |
| 3000 Fund Balance - August 31 (Ending) | <u>\$ 54,496,854</u> | <u>\$ 6,132,472</u> | <u>\$ 111,035,781</u> |

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

| | Child Nutrition Fund | Other Funds | Total Governmental Funds |
|----|----------------------------|----------------|--------------------------------|
| \$ | 3,161,942 | \$ 1,029,853 | \$ 167,005,584 |
| | 42,448 | 3,101,715 | 87,838,749 |
| | 4,095,649 | 4,713,474 | 13,492,954 |
| | 7,300,039 | 8,845,042 | 268,337,287 |
| | - | 7,841,510 | 118,849,894 |
| | - | 96,793 | 2,451,174 |
| | - | 533,934 | 3,933,447 |
| | - | 34,917 | 2,229,334 |
| | - | 20,326 | 12,089,200 |
| | - | 196,975 | 8,745,871 |
| | - | - | 164,850 |
| | - | - | 2,271,373 |
| | - | - | 5,492,396 |
| | 7,953,677 | 953 | 8,184,746 |
| | - | 65,106 | 7,420,406 |
| | - | - | 7,356,158 |
| | - | - | 22,242,458 |
| | - | - | 1,889,647 |
| | - | - | 4,360,799 |
| | - | 69,986 | 131,699 |
| | - | - | 22,749,548 |
| | - | - | 27,100,957 |
| | - | - | 2,000,946 |
| | - | - | 52,225,702 |
| | - | - | 121,045 |
| | - | - | 16,512 |
| | - | - | 778,179 |
| | 7,953,677 | 8,860,500 | 312,806,341 |
| | (653,638) | (15,458) | (44,469,054) |
| | - | - | 227,970,000 |
| | - | - | 66,296 |
| | - | - | 31,135,534 |
| | - | - | (244,190) |
| | - | - | (108,491,642) |
| | - | - | 150,435,998 |
| | (653,638) | (15,458) | 105,966,944 |
| | 2,028,872 | 917,008 | 67,974,947 |
| \$ | 1,375,234 | \$ 901,550 | \$ 173,941,891 |

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, 2020

EXHIBIT C-4

| | |
|---|-----------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 105,966,944 |
| 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. | 54,026,484 |
| Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources. | (16,085,373) |
| 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. | 22,749,546 |
| Current year decrease in the accretion on capital appreciation bonds is not reflected in the governmental fund financial statements, but is shown as decreases in accreted interest on the district-wide financial statements. | 5,751,272 |
| 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. | (164,456) |
| 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. | 4,018,203 |
| 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. | (3,445,595) |
| 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. | (227,970,000) |
| The premium on the current year issuance of bonds and maintenance tax notes is recorded as an other resource in the fund financial statements, but is capitalized in the government-wide financial statements. | (31,135,534) |
| 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. | 108,449,142 |
| 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. | 225,327 |
| The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2019 caused the change in the ending net position to increase in the amount of \$4,303,001. Contributions were replaced with the District's pension expense for the year of \$12,042,678, which caused a decrease in the change in net position. The impact of all of these is to decrease net position by \$7,739,677. | (7,739,677) |
| The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/2019 but during the current fiscal year caused the ending net position to increase in the amount of \$1,118,734. These contributions were replaced with the District's OPEB expense for the year, which was \$2,332,065 and caused a decrease in net position. The impact of both of these is to decrease net position by \$1,213,331. | (1,213,331) |
| Change in Net Position of Governmental Activities | \$ 13,432,952 |

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2020

| 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 | \$ 109,610,542 | \$ 114,820,542 | \$ 114,266,022 | \$ (554,520) |
| 5800 State Program Revenues | 81,286,440 | 83,208,579 | 83,903,453 | 694,874 |
| 5900 Federal Program Revenues | 2,500,000 | 3,620,000 | 3,648,178 | 28,178 |
| 5020 Total Revenues | 193,396,982 | 201,649,121 | 201,817,653 | 168,532 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 112,238,378 | 113,488,705 | 111,008,384 | 2,480,321 |
| 0012 Instructional Resources and Media Services | 2,440,299 | 2,551,731 | 2,354,381 | 197,350 |
| 0013 Curriculum and Instructional Staff Development | 3,458,466 | 3,703,029 | 3,399,513 | 303,516 |
| 0021 Instructional Leadership | 2,125,235 | 2,311,435 | 2,194,417 | 117,018 |
| 0023 School Leadership | 11,717,401 | 12,539,048 | 12,068,874 | 470,174 |
| 0031 Guidance, Counseling, and Evaluation Services | 8,437,725 | 8,857,248 | 8,548,896 | 308,352 |
| 0032 Social Work Services | 225,324 | 266,324 | 164,850 | 101,474 |
| 0033 Health Services | 2,188,904 | 2,495,211 | 2,271,373 | 223,838 |
| 0034 Student (Pupil) Transportation | 6,472,662 | 6,623,093 | 5,492,396 | 1,130,697 |
| 0035 Food Services | 1,000 | 245,595 | 230,116 | 15,479 |
| 0036 Extracurricular Activities | 7,020,625 | 7,743,824 | 7,355,300 | 388,524 |
| 0041 General Administration | 7,513,358 | 7,653,369 | 7,356,158 | 297,211 |
| 0051 Facilities Maintenance and Operations | 21,249,028 | 23,838,511 | 22,242,458 | 1,596,053 |
| 0052 Security and Monitoring Services | 1,769,504 | 2,044,509 | 1,889,647 | 154,862 |
| 0053 Data Processing Services | 3,203,520 | 4,436,224 | 4,360,799 | 75,425 |
| 0061 Community Services | 46,500 | 120,101 | 61,713 | 58,388 |
| Debt Service: | | | | |
| 0071 Principal on Long-Term Debt | 1,449,364 | 1,490,610 | 1,490,610 | - |
| 0072 Interest on Long-Term Debt | 189,567 | 191,698 | 191,697 | 1 |
| 0073 Bond Issuance Cost and Fees | 150 | 1,150 | 300 | 850 |
| Intergovernmental: | | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | - | 121,045 | 121,045 | - |
| 0095 Payments to Juvenile Justice Alternative Ed. Prg. | 60,000 | 60,000 | 16,512 | 43,488 |
| 0099 Other Intergovernmental Charges | 860,000 | 817,500 | 778,179 | 39,321 |
| 6030 Total Expenditures | 192,667,010 | 201,599,960 | 193,597,618 | 8,002,342 |
| 1100 Excess of Revenues Over Expenditures | 729,972 | 49,161 | 8,220,035 | 8,170,874 |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7912 Sale of Real and Personal Property | - | 76,755 | 66,296 | (10,459) |
| 8911 Transfers Out (Use) | - | (260,000) | (244,190) | 15,810 |
| 8949 Other (Uses) | - | (42,500) | (42,500) | - |
| 7080 Total Other Financing Sources (Uses) | - | (225,745) | (220,394) | 5,351 |
| 1200 Net Change in Fund Balances | 729,972 | (176,584) | 7,999,641 | 8,176,225 |
| 0100 Fund Balance - September 1 (Beginning) | 46,497,213 | 46,497,213 | 46,497,213 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 47,227,185 | \$ 46,320,629 | \$ 54,496,854 | \$ 8,176,225 |

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, 2020

| | Business-Type Activities |
|---------------------------|------------------------------|
| | Total Enterprise Funds |
| <hr/> | |
| ASSETS | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 17,540 |
| Total Assets | 17,540 |
| LIABILITIES | |
| Current Liabilities: | |
| Accrued Wages Payable | 17,540 |
| Total Liabilities | 17,540 |
| NET POSITION | |
| Unrestricted Net Position | - |
| Total Net Position | \$ - |

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, 2020

| | Business-Type Activities |
|--|------------------------------|
| | Total Enterprise Funds |
| <hr/> | |
| OPERATING REVENUES: | |
| Local and Intermediate Sources | \$ 571,456 |
| Total Operating Revenues | <u>571,456</u> |
| OPERATING EXPENSES: | |
| Payroll Costs | 749,229 |
| Professional and Contracted Services | 5,148 |
| Supplies and Materials | 8,559 |
| Other Operating Costs | 52,710 |
| Total Operating Expenses | <u>815,646</u> |
| Income Before Transfers | (244,190) |
| Transfer In | 244,190 |
| Change in Net Position | - |
| Total Net Position - September 1 (Beginning) | <u>-</u> |
| Total Net Position - August 31 (Ending) | <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, 2020

| | Business-Type Activities |
|---|------------------------------|
| | Total Enterprise Funds |
| <u>Cash Flows from Operating Activities:</u> | |
| Cash Received from User Charges | \$ 571,456 |
| Cash Payments for Payroll Costs | (746,811) |
| Cash Payments for Purchased Services | (5,148) |
| Cash Payments for Supplies and Materials | (8,559) |
| Cash Payments for Other Expenses | (67,639) |
| | (256,701) |
| <u>Cash Flows from Capital & Related Financing Activities:</u> | |
| Transfer In | 244,190 |
| | 244,190 |
| Net Cash Used for Operating Activities | (256,701) |
| Net Decrease in Cash and Cash Equivalents | (12,511) |
| Cash and Cash Equivalents at Beginning of Year | 30,051 |
| Cash and Cash Equivalents at End of Year | \$ 17,540 |
| <u>Reconciliation of Operating Income (Loss) to Net Cash</u> | |
| <u>Used for Operating Activities:</u> | \$ (244,190) |
| Operating Income (Loss): | |
| Effect of Increases and Decreases in Current Assets and Liabilities: | |
| Increase (decrease) in Accrued Wages Payable | 2,418 |
| Increase (decrease) in Due to Other Funds | (14,929) |
| | (12,511) |
| Net Cash Used for Operating Activities | \$ (256,701) |

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
AUGUST 31, 2020

| | Agency Funds |
|---------------------------|-------------------|
| <hr/> | |
| ASSETS | |
| Cash and Cash Equivalents | \$ 457,947 |
| Total Assets | <u>\$ 457,947</u> |
| LIABILITIES | |
| Due to Student Groups | \$ 457,947 |
| Total Liabilities | <u>\$ 457,947</u> |

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

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EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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, 2020

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, 2020

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
ESEA Title IV, Part A - funds granted for student support and academic enrichment
Visually Impaired - funds granted for visually impaired students
Advanced Placement Incentives - funds granted under the Texas Advanced Placement Award incentive program
State Instructional Materials - funds granted for textbook and technology needs
Campus Activity Funds - accounts for funds raised by a campus for the benefit of that campus
Lions Club Foundation - accounts for the use of a grant received by the District for a specific purpose
Cargill Donation Fund - accounts for the use of a donation received by the District for a specific purpose
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, 2020

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

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

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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.

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

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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, 2019). 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.

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, 2020 totaled \$0.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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:

| | |
|-------------------------|------------|
| 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.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

M. NET POSITION

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

N. LONG-TERM OBLIGATIONS

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

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

O. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at August 31, 2020 was \$40,815,122.

Deferred outflows of resources for pension - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 6.7 years.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
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A deferred outflow for pension expense results from payments made to the TRS pension plan by the District after the plan's measurement date. The amount of deferred outflows reported in the governmental activities for deferred pension expenses at August 31, 2020 was \$30,762,590.

Deferred outflows of resources for OPEB- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 8.6 years. The amount of deferred outflows reported in the governmental activities for deferred OPEB expense at August 31, 2020 was \$11,927,524.

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at August 31, 2020 was \$2,636,964.

Deferred inflows of resources for pension - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period. In fiscal year 2020, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$12,700,158.

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (8.6 years for the 2019 measurement year). In fiscal year 2020, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$29,030,344.

P. 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 2020, 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.

Q. SUBSEQUENT EVENTS

Management has reviewed events subsequent to August 31, 2020 through January 16, 2021, 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.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

R. 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.

S. 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. 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, 2020 for construction and for campus activities.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has no assigned fund balance at August 31, 2020.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
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- **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 \$48,043,535 at August 31, 2020. Prepaid expenditures (prepaid items) of \$3,320,061 and inventories of \$133,258 are considered nonspendable fund balance. The District has committed general fund fund balance resources of \$3,000,000 for construction as of August 31, 2020.

Other Major Funds

The Debt Service Fund has restricted funds of \$6,132,472 at August 31, 2020 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. \$1,119,337 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 (\$228,394) or prepaid items (\$27,503). The Capital Projects Fund shows a committed fund balance of \$111,035,781 at August 31, 2020, that is committed for ongoing construction contracts.

Other Funds

The fund balance of \$901,550 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities.

NOTE 3. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At August 31, 2020, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$5,153,039 and the bank balance was \$10,393,859. The District's cash deposits at August 31, 2020 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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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 2020, the District’s cash balances totaled \$10,393,859. This entire amount was either collateralized with securities 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, 2020, the District held its investments in three public funds investment pools (Lone Star, TexPool and TexTerm), corporate bonds and U.S. Government securities. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk - This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year-end was AAAM (Standard & Poor’s), and the credit quality rating for Lone Star and TexTerm was AA Af (Standard & Poor’s).
- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexPool, TexTerm and Lone Star investments is less than 60 days.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2020, 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, 2020, are shown below:

| <u>Name</u> | <u>Carrying Amount</u> | <u>Fair Value</u> |
|----------------------------|----------------------------|-----------------------|
| TexPool | \$ 31,549,466 | \$ 31,549,466 |
| Lone Star | 126,331,314 | 126,331,314 |
| TexTerm | 1,477,460 | 1,477,460 |
| U.S. Government securities | <u>21,128,185</u> | <u>21,128,185</u> |
| Total | <u>\$180,486,425</u> | <u>\$180,486,425</u> |

Fair Value Measurements

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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Assets and Liabilities Measured at Fair Value on a Recurring Basis

| | Fair Value Measurements Using | | | |
|--|--------------------------------------|---|--|--|
| | Balance at 8/31/20 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <u>Investments by Fair Value level:</u> | | | | |
| US Government Securities | <u>\$21,128,185</u> | <u>\$21,128,185</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total | <u>\$21,128,185</u> | <u>\$21,128,185</u> | <u>\$ -</u> | <u>\$ -</u> |

The District estimates the fair value of these investments using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The District's investment in the TexPool, Lone Star and TexTerm (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost. There are no limitations or restrictions on participant withdrawals.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2020, was as follows:

| | <u>Balance September 1</u> | <u>Additions/ Completions</u> | <u>Retirement/ Adjustments</u> | <u>Balance August 31</u> |
|---|--------------------------------|-----------------------------------|------------------------------------|------------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 38,959,109 | \$ - | \$ - | \$ 38,959,109 |
| Construction in Progress | <u>74,267,370</u> | <u>39,274,884</u> | <u>(53,543,157)</u> | <u>59,999,097</u> |
| Total capital assets, not being depreciated | <u>113,226,479</u> | <u>39,274,884</u> | <u>(53,543,157)</u> | <u>98,958,206</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and Improvements | 630,290,682 | 62,738,319 | - | 693,029,001 |
| Furniture and Equipment | <u>59,417,212</u> | <u>5,556,438</u> | <u>(204,000)</u> | <u>64,769,650</u> |
| Total capital assets, being depreciated | <u>689,707,894</u> | <u>68,294,757</u> | <u>(204,000)</u> | <u>757,798,651</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and Improvements | (173,055,138) | (11,937,809) | - | (184,992,947) |
| Furniture and Equipment | <u>(47,979,199)</u> | <u>(4,147,564)</u> | <u>204,000</u> | <u>(51,922,763)</u> |
| Total accumulated depreciation | <u>(221,034,337)</u> | <u>(16,085,373)</u> | <u>204,000</u> | <u>(236,915,710)</u> |
| Total capital assets being depreciated, net | <u>468,673,557</u> | <u>52,209,384</u> | <u>-</u> | <u>520,882,941</u> |
| Governmental activities capital assets, net | <u>\$ 581,900,036</u> | <u>\$ 91,484,268</u> | <u>\$(53,543,157)</u> | <u>\$ 619,841,147</u> |

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2020

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

| | |
|--|---------------------|
| Governmental activities: | |
| Instruction | \$10,390,579 |
| Instructional Resources & Media Services | 202,713 |
| Curriculum & Instructional Staff Development | 279,728 |
| Instructional Leadership | 178,238 |
| School Leadership | 1,107,335 |
| Guidance, Counseling & Evaluation Services | 787,026 |
| Health Services | 211,658 |
| Food Services | 407,612 |
| Cocurricular/Extracurricular Activities | 484,723 |
| General Administration | 495,276 |
| Plant Maintenance and Operations | 935,812 |
| Data Processing Services | 337,197 |
| Security & Monitoring Services | 170,020 |
| Community Services | <u>97,456</u> |
| Total depreciation expense-Governmental activities | <u>\$16,085,373</u> |

Land and construction in progress are not depreciated.

NOTE 5. LONG-TERM DEBT

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

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 2020:

| Description | Interest Rate Payable | Amount Original Issue | Amounts Outstanding 9/1/19 | Additions | Refunded/ Retired | Amounts Outstanding 8/31/20 | Due Within One Year |
|-------------------------------------|-----------------------------|-----------------------------|----------------------------------|----------------------|----------------------|-----------------------------------|---------------------------|
| Bonded Indebtedness: | | | | | | | |
| 2010A Building | 4.783% | \$ 12,445,000 | \$ 12,000,000 | \$ - | \$ 1,500,000 | \$ 10,500,000 | \$ 1,500,000 |
| 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 | - | - |
| 2011 Building | Variable | 55,000,000 | 53,165,000 | - | - | 53,165,000 | - |
| 2011 Refunding | 2.00-4.00% | 6,560,000 | 1,790,000 | - | 1,500,000 | 290,000 | 290,000 |
| 2012A Refunding | 1.25-4.00% | 9,149,646 | 8,649,646 | - | 7,888,935 | 760,711 | 149,103 |
| 2012B Building | 4.00% | 10,000,000 | 10,000,000 | - | 10,000,000 | - | - |
| 2013A Refunding | 2.00-5.00% | 53,800,000 | 45,990,000 | - | 13,715,000 | 32,275,000 | 2,255,000 |
| 2013B Refunding | 0.92-3.50% | 8,605,000 | 6,930,000 | - | 410,000 | 6,520,000 | 420,000 |
| 2014A Refunding | 2.00-5.00% | 17,055,000 | 11,850,000 | - | 1,655,000 | 10,195,000 | 1,865,000 |
| 2014B Refunding | 2.00-3.75% | 3,635,000 | 3,020,000 | - | 180,000 | 2,840,000 | 180,000 |
| 2015 Refunding | 1.31-5.00% | 64,660,000 | 62,410,000 | - | 4,560,000 | 57,850,000 | 4,705,000 |
| 2015A Building | 3.50-5.00% | 25,605,000 | 25,605,000 | - | - | 25,605,000 | - |
| 2015B Refunding | 2.00-5.00% | 11,205,000 | 5,105,000 | - | 900,000 | 4,205,000 | 550,000 |
| 2016 Refunding | 2.25-5.00% | 157,515,000 | 152,120,000 | - | 2,900,000 | 149,220,000 | 3,695,000 |
| 2016A Refunding | 3.00-5.00% | 51,700,000 | 51,700,000 | - | - | 51,700,000 | - |
| 2016B Building | 2.00-4.00% | 4,400,000 | 4,400,000 | - | - | 4,400,000 | - |
| 2018 Building | 3.00-5.00% | 42,815,000 | 41,630,000 | - | - | 41,630,000 | - |
| 2018A Building | 4.00-5.00% | 39,775,000 | 39,775,000 | - | - | 39,775,000 | - |
| 2019 Building | 3.00-5.00% | 135,755,000 | - | 135,755,000 | 4,570,000 | 131,185,000 | 3,270,000 |
| 2020A Refunding | 3.00-5.00% | 62,100,000 | - | 62,100,000 | 655,000 | 61,445,000 | 690,000 |
| 2020B Refunding | 1.672-5.00% | 30,115,000 | - | 30,115,000 | 555,000 | 29,560,000 | 105,000 |
| Total Bonded Indebtedness | | | <u>603,694,149</u> | <u>227,970,000</u> | <u>118,543,438</u> | <u>713,120,711</u> | <u>19,674,103</u> |
| Capital Leases | 2.553% | | 214,714 | - | 164,610 | 50,104 | 50,104 |
| Maintenance Tax Notes | 1.60%-3.25% | | 6,944,000 | - | 1,326,000 | 5,618,000 | 1,349,000 |
| Premiums/Discounts on Bond Issuance | | | 60,952,180 | 31,135,534 | 4,018,203 | 88,069,511 | 4,856,553 |
| Accreted Interest | | | 5,912,198 | 22,393 | 5,773,665 | 160,926 | 30,897 |
| Total Other Obligations | | | <u>74,023,092</u> | <u>31,157,927</u> | <u>11,282,478</u> | <u>93,898,541</u> | <u>6,286,554</u> |
| Total Obligations of District | | | <u>\$677,717,241</u> | <u>\$259,127,927</u> | <u>\$129,825,916</u> | <u>\$807,019,252</u> | <u>\$25,960,657</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, 2024. For purposes of the debt service requirements disclosed in Note 8, a 5.00% interest rate is assumed thereafter.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2020.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

NOTE 6. DEBT SERVICE REQUIREMENTS - MAINTENANCE TAX NOTES

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

| Year Ended <u>August 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> <u>Requirements</u> |
|--------------------------------|--------------------|------------------|-------------------------------------|
| 2021 | \$1,349,000 | \$159,764 | \$1,508,764 |
| 2022 | 1,384,000 | 125,453 | 1,509,453 |
| 2023 | 1,420,000 | 90,212 | 1,510,212 |
| 2024 | <u>1,465,000</u> | <u>47,612</u> | <u>1,512,612</u> |
| | <u>\$5,618,000</u> | <u>\$423,041</u> | <u>\$6,041,041</u> |

NOTE 7. CAPITAL LEASES

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

In July, 2017 the District entered into a capital lease agreement with Dell Financial Services for the purchase of \$122,812 computer docking stations. The lease calls for three equal annual payments (including an effective interest rate of 6.083%). Payments on the capital lease agreement are accounted for as debt service expenditures in the General Fund.

In July, 2018 the District entered into a capital lease agreement with Apple, Inc. for the purchase of \$149,940 Apple iPads. The lease calls for three equal annual payments (including an effective interest rate of 1.633%). Payments on the capital lease agreement are accounted for as debt service expenditures in the General Fund.

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

| | Amount Outstanding <u>8/31/19</u> | <u>Additions</u> | <u>Retirements</u> | Amount Outstanding <u>8/31/20</u> |
|--------------------|---|------------------|--------------------|---|
| Network equipment | \$ 74,420 | \$ - | \$ 74,420 | \$ - |
| Computer equipment | 40,889 | - | 40,889 | - |
| Apple iPads | <u>99,405</u> | - | <u>49,301</u> | <u>50,104</u> |
| | <u>\$214,714</u> | <u>\$ -</u> | <u>\$164,610</u> | <u>\$50,104</u> |

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

| Year Ending <u>August 31</u> 2021 | Annual Lease <u>Payment</u> |
|---|--------------------------------|
| Total Lease Payments | 50,924 |
| Imputed Interest Amount | <u>(820)</u> |
| Present Value Outstanding | <u>\$50,104</u> |

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
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NOTE 8. DEBT SERVICE REQUIREMENTS - BONDS

Debt service requirements to maturity are as follows:

| Year Ended <u>August 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> <u>Requirements</u> |
|--------------------------------|----------------------|----------------------|-------------------------------------|
| 2021 | \$ 19,674,103 | \$ 28,528,619 | \$ 48,202,722 |
| 2022 | 21,589,104 | 27,896,868 | 49,485,972 |
| 2023 | 22,362,504 | 27,129,843 | 49,492,347 |
| 2024 | 22,750,000 | 26,736,265 | 49,486,265 |
| 2025 | 22,080,000 | 27,408,447 | 49,488,447 |
| 2026-2030 | 128,970,000 | 116,793,751 | 245,763,751 |
| 2031-2035 | 135,850,000 | 84,772,838 | 220,622,838 |
| 2036-2040 | 124,320,000 | 60,292,790 | 184,612,790 |
| 2041-2045 | 108,685,000 | 36,254,555 | 144,939,555 |
| 2046-2050 | <u>106,840,000</u> | <u>12,475,450</u> | <u>119,315,450</u> |
| | <u>\$713,120,711</u> | <u>\$448,289,426</u> | <u>\$1,161,410,137</u> |

NOTE 9. DEFEASED BONDS OUTSTANDING

In prior years, the District issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. 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, 2020, \$452,612,452 of bonds outstanding are considered defeased.

NOTE 10. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code which established an appraisal district and an appraisal review board in each county in the State of Texas. Tarrant County Appraisal District (TCAD) is responsible for the appraisal of property for all taxing units in Tarrant County, including the District. Under the terms of a contract for appraisal services, the District paid TCAD \$778,179 in fiscal year 2020 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 2019-20 fiscal year was based was \$10,465,123,254. 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, 2020, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.068 and \$0.45 per \$100 valuation, respectively, for a total of \$1.518 per \$ 100 valuation.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
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Current tax collections for the year ended August 31, 2020 were 99.53% 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, 2020, property taxes receivable, net of estimated uncollectible taxes, totaled \$1,970,568 and \$666,396 for the General and Debt Service Funds, respectively.

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

NOTE 11. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://trs.texas.gov/trs%20Documents/cafr2019.pdf>, selecting *About TRS* then *Publications* then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
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In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

| | <u>2019</u> | <u>2020</u> |
|--|-------------|---------------|
| Contribution Rates | | |
| Member | 7.7% | 7.7% |
| Non-Employer Contributing Entity (State) | 6.8% | 6.8% |
| Employers | 6.8% | 6.8% |
| | | |
| Eagle Mountain-Saginaw ISD FY2020 Employer Contributions | | \$ 4,303,001 |
| Eagle Mountain-Saginaw ISD FY2020 Member Contributions | | \$ 10,558,492 |
| Eagle Mountain-Saginaw ISD FY2020 NECE On-Behalf Contributions | | \$ 5,757,369 |

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. The contribution rate called the Public Education Employer Contribution will replace the Non (OASDI) surcharge that was in effect in fiscal year 2019.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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- When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

Actuarial Assumptions. The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

| | |
|--|---|
| Valuation Date | August 31, 2018 rolled forward to August 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 7.25% |
| Long-term expected Investment Rate of Return | 7.25% |
| Municipal Bond Rate as of August 2019 | 2.63% |
| Inflation | 2.30% |
| Salary Increases Including Inflation | 3.05% to 9.05% |
| Benefit Changes During the Year | None |
| Ad hoc Post Employment Benefit Changes | None |

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

Discount Rate. A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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| Asset Class | FY2019 Target Allocation ¹ | New Target Allocation ² | Long-Term Expected Geometric Real Rate of Return ³ |
|--|---|---------------------------------------|---|
| Global Equity | | | |
| U.S. | 18% | 18% | 6.4% |
| Non-U.S. Developed | 13% | 13% | 6.3% |
| Emerging Markets | 9% | 9% | 7.3% |
| Directional Hedge Funds | 4% | - | - |
| Private Equity | 13% | 14% | 8.4% |
| Stable Value | | | |
| U.S. Treasuries | 11% | 16% | 3.1% |
| Absolute Return | - | - | - |
| Stable Value Hedge Funds | 4% | 5% | 4.5% |
| Real Return | | | |
| Global Inflation Linked Bonds ⁴ | 3% | - | - |
| Real Estate | 14% | 15% | 8.5% |
| Energy, Natural Resources & Infrastructure | 5% | 6% | 7.3% |
| Commodities | - | - | - |
| Risk Parity | | | |
| Risk Parity | 5% | 8% | 5.8%/6.5% ⁵ |
| Leverage | | | |
| Cash | 1% | 2% | 2.5% |
| Asset Allocation Leverage | - | -6% | 2.7% |
| Total | <u>100%</u> | <u>100%</u> | <u>7.23%</u> |

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

| | 1% Decrease in Discount Rate (6.25%) | Discount Rate (7.25%) | 1% Increase in Discount Rate (8.25%) |
|--|--|--------------------------|--|
| Eagle Mountain-Saginaw ISD's proportionate share of the net pension liability: | \$88,490,774 | \$57,568,261 | \$32,515,049 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2020, Eagle Mountain-Saginaw Independent School District reported a liability of \$57,568,261 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Eagle Mountain-Saginaw Independent School District. The amount recognized by Eagle Mountain-Saginaw Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Eagle Mountain-Saginaw Independent School District were as follows:

| | |
|--|----------------------|
| District's Proportionate share of the collective net pension liability | \$ 57,568,261 |
| State's proportionate share that is associated with the District | <u>85,510,969</u> |
| Total | <u>\$143,079,230</u> |

¹ Target allocations are based on the Strategic Asset Allocation as of FY2019

² New allocations are based on the Strategic Asset Allocation to be implemented FY2020

³ 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

⁴ New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds

⁵ 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.1107441294%, a decrease of 1.22% from its proportionate share of 0.1121138123% at August 31, 2018.

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

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

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

For the year ended August 31, 2020, Eagle Mountain-Saginaw Independent School District recognized pension expense of \$13,432,569 and revenue of \$13,432,569 for support provided by the State.

At August 31, 2020, Eagle Mountain-Saginaw Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (The amounts shown below will be the cumulative layers from the current and prior years combined.):

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 241,838 | \$ 1,998,861 |
| Changes in actuarial assumptions | 17,860,502 | 7,380,804 |
| Difference between projected and actual investment earnings | 3,461,021 | 2,882,970 |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 4,896,228 | 437,523 |
| Contributions paid to TRS subsequent to the measurement date | 4,303,001 | - |
| Total | \$30,762,590 | \$12,700,158 |

\$4,303,001 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
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| Year ended August 31: | Pension Expense Amount |
|-----------------------|------------------------|
| 2021 | \$ 3,595,319 |
| 2022 | 2,939,876 |
| 2023 | 3,624,327 |
| 2024 | 3,173,166 |
| 2025 | 986,481 |
| Thereafter | (559,738) |

NOTE 12. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for retirees are reflected in the following table:

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

* or surviving spouse

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

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Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

| | <u>Contribution Rates</u> | |
|---|---------------------------|-------------|
| | <u>2019</u> | <u>2020</u> |
| Active Employee | 0.65% | 0.65% |
| Non-Employer Contributing Entity (State) | 1.25% | 1.25% |
| Employers | 0.75% | 0.75% |
| Federal/private Funding remitted by Employers | 1.25% | 1.25% |
| Eagle Mountain-Saginaw ISD FY20 Employer Contributions | \$1,118,734 | |
| Eagle Mountain-Saginaw ISD FY20 Member Contributions | \$ 890,165 | |
| Eagle Mountain-Saginaw ISD FY20 NECE On-behalf Contributions | \$1,338,021 | |

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

Actuarial Assumptions. The total OPEB liability in the August 31, 2018 was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions.

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

Additional Actuarial Methods and Assumptions:

| | |
|--|--|
| Valuation Date | August 31, 2018 rolled forward to August 31, 2019 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.30% |
| Single Discount Rate | 2.63% |
| Aging Factors | Based on specific plan experience |
| Expenses | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs |
| Projected Salary Increases | 3.05% to 9.05%, including inflation |
| Election Rates | Normal Retirement: 65% participation prior to age 65 and 50% participation after age 65 |
| Ad hoc post-employment benefit changes | None |

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
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The impact of the Cadillac Tax that is returning in fiscal year 2023, has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

Discount Rate. A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the Net OPEB Liability.

| | 1% Decrease in Discount Rate (1.63%) | Current Single Discount Rate (2.63%) | 1% Increase in Discount Rate (3.63%) |
|---|---|---|---|
| District’s proportionate share of the Net OPEB Liability: | \$81,012,396 | \$67,100,969 | \$56,218,036 |

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the OPEB liability would be if it were calculated using a trend rate that is one-percentage lower or one-percentage point higher than the assumed healthcare cost trend rate of 8.5%.

| | 1% Decrease (7.5%) | Current Healthcare Cost Trend Rate (8.5%) | 1% Increase (9.5%) |
|---|-----------------------|--|-----------------------|
| District’s proportionate share of the Net OPEB Liability: | \$54,738,620 | \$67,100,969 | \$83,660,850 |

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2020, the District reported a liability of \$67,100,969 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

| | |
|---|----------------------|
| District's Proportionate share of the collective Net OPEB Liability | \$ 67,100,969 |
| State's proportionate share that is associated with the District | <u>89,162,180</u> |
| Total | <u>\$156,263,149</u> |

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective Net OPEB Liability was 0.1418888396%, an increase of 0.33% compared to the August 31, 2018 proportionate share of 0.1414239333%.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of the pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while activity employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB expense of \$2,349,949 and revenue of \$2,349,949 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Differences between expected and actual economic experience | \$ 3,291,873 | \$10,980,362 |
| Changes in actuarial assumptions | 3,726,936 | 18,048,514 |
| Difference between projected and actual investment earnings | 8,707 | 1,468 |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 3,781,274 | - |
| Contributions paid to TRS subsequent to the measurement date | 1,118,734 | - |
| Total | \$11,927,524 | \$29,030,344 |

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2020

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

| Year ended August 31: | OPEB Expense Amount |
|-----------------------|---------------------|
| 2021 | \$ (3,169,653) |
| 2022 | (3,169,653) |
| 2023 | (3,171,996) |
| 2024 | (3,173,336) |
| 2025 | (3,172,969) |
| Thereafter | (2,363,947) |

NOTE 13. MEDICARE PART D

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, 2020, the contribution made on behalf of the District was \$585,701.

NOTE 14. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2020, 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 | \$ 298,898 | \$ - |
| IDEA - Part B, Formula | 335,410 | - |
| IDEA - Part B, Preschool | 475 | - |
| ESEA, Title II, Training and Recruiting | 98,108 | - |
| ESEA, Title III, English Lang Acquisition | 56,939 | - |
| ESEA, Title IV, Part A | 23,898 | - |
| Career and Technical - Basic Grant | 21,308 | - |
| Visually Impaired SSVI | 7,612 | - |
| State Instructional Materials | <u>273,716</u> | <u>-</u> |
| Total | 1,116,364 | - |
| Debt Service Fund | <u>-</u> | <u>51,331</u> |
| Total General Fund | <u>1,116,364</u> | <u>51,331</u> |
| <u>Special Revenue Fund</u> | | |
| General Fund | <u>-</u> | <u>1,116,364</u> |
| Total Special Revenue Fund | <u>-</u> | <u>1,116,364</u> |
| <u>Debt Service Fund</u> | | |
| General Fund | <u>51,331</u> | <u>-</u> |
| Total Debt Service Fund | <u>51,331</u> | <u>-</u> |
| Total | <u>\$1,167,695</u> | <u>\$1,167,695</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.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Interfunds transfers for the year ended August 31, 2020 consisted of the following individual amounts:

| <u>Fund</u> | <u>Transfers to Other Funds</u> | <u>Transfers from Other Funds</u> |
|-----------------------|-------------------------------------|---------------------------------------|
| General Fund: | | |
| Enterprise Fund | \$244,190 | \$ - |
| Total General Fund | <u>244,190</u> | <u>-</u> |
| Enterprise Fund: | | |
| General Fund | <u>-</u> | 244,190 |
| Total Enterprise Fund | <u>-</u> | <u>244,190</u> |
| Total | <u>\$244,190</u> | <u>\$244,190</u> |

The purpose of the \$244,190 transfer was to cover the current year loss in the enterprise fund.

NOTE 15. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2020, 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 | \$2,037,118 | \$7,308,006 | \$1,116,364 | \$249,094 | \$10,710,582 |
| Debt Service Fund | 683,731 | 280,062 | 51,331 | - | 1,015,124 |
| Special Revenue Fund | <u>-</u> | <u>1,557,271</u> | <u>-</u> | <u>2,977</u> | <u>1,560,248</u> |
| Total - Governmental Activities | <u>\$2,720,849</u> | <u>\$9,145,339</u> | <u>\$1,167,695</u> | <u>\$252,071</u> | <u>\$13,285,954</u> |
| Amounts not scheduled for collection during the subsequent year | \$ 136,043 | \$ - | \$ - | \$ - | \$ 136,043 |

Payables at August 31, 2020, were as follows:

| | <u>Accounts Payable</u> | <u>Salaries and Benefits</u> | <u>Due To Other Funds</u> | <u>Due To Other Governments</u> | <u>Total Payables</u> |
|--|-----------------------------|--------------------------------------|-----------------------------------|---|---------------------------|
| Governmental Activities: | | | | | |
| General Fund | \$ 1,287,361 | \$11,926,630 | \$ 51,331 | \$ 39,952 | \$13,305,274 |
| Capital Projects Fund | 9,828,271 | - | - | - | 9,828,271 |
| Special Revenue Funds | <u>149,061</u> | <u>393,493</u> | <u>1,116,364</u> | <u>-</u> | <u>1,658,918</u> |
| Total-Governmental Activities | <u>\$11,264,693</u> | <u>\$12,320,123</u> | <u>\$1,167,695</u> | <u>\$ 39,952</u> | <u>\$24,792,463</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, 2020, 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.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

| Fund | Local | State Entitlements | Federal Grants | Total |
|-----------------|-------------|-----------------------|--------------------|--------------------|
| General | \$ - | \$7,305,409 | \$ 2,597 | \$7,308,006 |
| Special Revenue | - | 359,662 | 1,197,609 | 1,557,271 |
| Debt Service | - | - | 280,062 | 280,062 |
| Total | <u>\$ -</u> | <u>\$7,665,071</u> | <u>\$1,480,268</u> | <u>\$9,145,339</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, 2020, the estimated rebate liability on outstanding bond series was \$0.

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.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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 | \$111,380,693 | \$ - | \$46,928,755 | \$ - | \$158,309,448 |
| Investment Income | 1,279,243 | 26,676 | 303,892 | 1,193,089 | 2,802,900 |
| Food Sales | - | 3,125,266 | - | - | 3,125,266 |
| Penalties, interest and other tax related income | 490,712 | - | 122,031 | - | 612,743 |
| Co-curricular student activities | 381,574 | 1,023,499 | - | - | 1,405,073 |
| Tuition and fees | 24,251 | - | - | - | 24,251 |
| Gifts and bequests | 30,000 | 16,354 | - | - | 46,354 |
| Facilities rentals | 36,156 | - | - | - | 36,156 |
| Insurance recovery | 29,079 | - | - | - | 29,079 |
| Gas royalties | 17,850 | - | - | - | 17,850 |
| Other | 596,464 | - | - | - | 596,464 |
| Total | <u>\$114,266,022</u> | <u>\$4,191,795</u> | <u>\$47,354,678</u> | <u>\$1,193,089</u> | <u>\$167,005,584</u> |

NOTE 20. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

| | General Fund | Special Revenue Fund | Debt Service Fund | Total |
|-------------------------------|-----------------|-------------------------|----------------------|------------------|
| Lunchroom receipts | \$ - | \$197,230 | \$ - | \$197,230 |
| Medicaid Admin Claim (MAC) | - | 61,901 | - | 61,901 |
| AP Incentives | - | 3,043 | - | 3,043 |
| State Instructional Materials | - | 10,222 | - | 10,222 |
| AP Campus Awards | - | 15,151 | - | 15,151 |
| Summer School LEP | - | 9,821 | - | 9,821 |
| ESC 20 SPED Fiscal Support | - | 344,378 | - | 344,378 |
| Cargill Donation Fund | - | 5,144 | - | 5,144 |
| Lions Club Foundation | - | 7,474 | - | 7,474 |
| Microsoft Grant | - | 2,000 | - | 2,000 |
| | <u>\$ -</u> | <u>\$656,364</u> | <u>\$ -</u> | <u>\$656,364</u> |

NOTE 21. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2020, as follows:

| | |
|---|--------------------|
| Year Ending | |
| <u>August 31,</u> | |
| 2021 | \$3,333,488 |
| 2022 | 2,663,950 |
| 2023 | <u>1,532,887</u> |
| Total Minimum Rentals | <u>\$7,530,325</u> |
| Rental Expenditures in Fiscal Year 2020 | <u>\$2,125,221</u> |

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

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 one functional category in the debt service fund for the year ended August 31, 2020.

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, 2020, the District contributed \$16,512 to the fiscal agent as its share of the costs of the joint venture.

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

NOTE 24. SUBSEQUENT EVENT

In November, 2020 the District sold \$59,935,000 refunding bonds to achieve debt service savings.

NOTE 25. RISKS AND UNCERTAINTIES

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State in response to the Pandemic, which disaster declaration he has subsequently extended. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness and mitigation. Under Executive Order GA-26, public schools, which ceased in-person instruction from the middle of March to the end of May and transitioned totally to remote instruction, resumed operations in the summer under protocols outlined in guidance from the TEA.

TEA has informed Texas school districts that COVID-19 related school closings and/or absenteeism will not impact ADA calculations and school funding so long as a school district commits to support students instructionally while they are at home. The District has developed remote instructional resources for its students and has begun delivering remote instruction in conjunction with in-person instruction. Therefore, the District does not anticipate a reduction in State funding as a result of the school closures at this time.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

The District continues to monitor the spread of COVID-19 and is working with local, State and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. The District's bonded debt is secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

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REQUIRED SUPPLEMENTARY INFORMATION

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

| | FY 2020 Plan Year 2019 | FY 2019 Plan Year 2018 | FY 2018 Plan Year 2017 |
|--|---------------------------|---------------------------|---------------------------|
| District's Proportion of the Net Pension Liability (Asset) | 0.110744129% | 0.11211382% | 0.10855096% |
| District's Proportionate Share of Net Pension Liability (Asset) | \$ 57,568,261 | \$ 61,710,168 | \$ 34,708,749 |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District | 85,510,969 | 92,205,414 | 54,331,948 |
| Total | <u>\$ 143,079,230</u> | <u>\$ 153,915,582</u> | <u>\$ 89,040,697</u> |
| District's Covered Payroll | \$ 121,074,323 | \$ 121,578,500 | \$ 114,951,281 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 47.55% | 50.76% | 30.19% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.24% | 73.74% | 82.17% |

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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

| <u>FY 2017</u> <u>Plan Year 2016</u> | <u>FY 2016</u> <u>Plan Year 2015</u> | <u>FY 2015</u> <u>Plan Year 2014</u> |
|---|---|---|
| 0.10491682% | 0.1016976% | 0.0700869% |
| \$ 39,646,506 | \$ 35,942,385 | \$ 18,721,181 |
| 64,011,316 | 60,353,574 | 51,976,810 |
| <u>\$ 103,657,822</u> | <u>\$ 96,295,959</u> | <u>\$ 70,697,991</u> |
| \$ 108,749,467 | \$ 101,048,094 | \$ 97,727,945 |
| 36.46% | 35.57% | 19.16% |
| 78.00% | 78.43% | 83.25% |

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

| | 2020 | 2019 | 2018 |
|---|----------------|----------------|----------------|
| Contractually Required Contribution | \$ 4,303,001 | \$ 3,836,783 | \$ 3,898,784 |
| Contribution in Relation to the Contractually Required Contribution | (4,303,001) | (3,836,783) | (3,898,784) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - |
| District's Covered Payroll | \$ 137,123,261 | \$ 121,074,323 | \$ 121,578,500 |
| Contributions as a Percentage of Covered Payroll | 3.14% | 3.17% | 3.21% |

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

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

| | 2017 | 2016 | 2015 |
|----|-------------|----------------|----------------|
| \$ | 3,557,670 | \$ 3,333,475 | \$ 3,010,782 |
| | (3,557,670) | (3,333,475) | (3,010,782) |
| \$ | - | \$ - | \$ - |
| \$ | 114,951,281 | \$ 108,749,467 | \$ 101,048,094 |
| | 3.09% | 3.07% | 2.98% |

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

| | FY 2020 Plan Year 2019 | FY 2019 Plan Year 2018 | FY 2018 Plan Year 2017 |
|---|---------------------------|---------------------------|---------------------------|
| District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits | 0.141888839% | 0.141423933% | 0.134080689% |
| District's Proportionate Share of Net OPEB Liability (Asset) | \$ 67,100,969 | \$ 70,614,265 | \$ 58,306,662 |
| State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District | 89,162,180 | 104,648,367 | 91,858,514 |
| Total | <u>\$ 156,263,149</u> | <u>\$ 175,262,632</u> | <u>\$ 150,165,176</u> |
| District's Covered Payroll | \$ 121,074,323 | \$ 121,578,500 | \$ 114,951,281 |
| District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | 55.42% | 58.08% | 50.72% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 2.66% | 1.57% | 0.91% |

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2020

| | 2020 | 2019 | 2018 |
|---|----------------|----------------|----------------|
| Contractually Required Contribution | \$ 1,118,734 | \$ 990,301 | \$ 991,221 |
| Contribution in Relation to the Contractually Required Contribution | (1,118,734) | (990,301) | (991,221) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - |
| District's Covered Payroll | \$ 137,123,261 | \$ 121,074,323 | \$ 121,578,500 |
| Contributions as a Percentage of Covered Payroll | 0.82% | 0.82% | 0.82% |

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

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2020

PENSION LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

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

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

OPEB LIABILITY:

Changes of benefit terms:

There were no changes in benefit terms since the prior measurement date.

Changes of assumptions:

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

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of the pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while activity employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.

COMBINING SCHEDULES

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2020

| 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 |
|--------------------------|--|---------------------------------|-----------------------------------|---|
| ASSETS | | | | |
| 1110 | Cash and Cash Equivalents | \$ - | \$ - | \$ - |
| 1240 | Due from Other Governments | 386,919 | 597,733 | 475 |
| 1000 | Total Assets | <u>\$ 386,919</u> | <u>\$ 597,733</u> | <u>\$ 475</u> |
| LIABILITIES | | | | |
| 2110 | Accounts Payable | \$ 4,995 | \$ 7,294 | \$ - |
| 2160 | Accrued Wages Payable | 83,026 | 255,029 | - |
| 2170 | Due to Other Funds | 298,898 | 335,410 | 475 |
| 2300 | Unearned Revenue | - | - | - |
| 2000 | Total Liabilities | <u>386,919</u> | <u>597,733</u> | <u>475</u> |
| FUND BALANCES | | | | |
| Committed Fund Balance: | | | | |
| 3545 | Other Committed Fund Balance | - | - | - |
| 3000 | Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ 386,919</u> | <u>\$ 597,733</u> | <u>\$ 475</u> |

| 255 ESEA II, A Training and Recruiting | 263 Title III, A English Lang. Acquisition | 272 Medicaid Admin. Claim MAC | 288 Summer School LEP | 289 ESEA Title IV Part A | 385 Visually Impaired SSVI | 397 Advanced Placement Incentives | 410 State Instructional Materials |
|---|---|--|-----------------------------|-----------------------------------|-------------------------------------|--|--|
| \$ - | \$ - | \$ 51,986 | \$ 9,821 | \$ - | \$ - | \$ 3,043 | \$ - |
| 98,108 | 59,253 | 9,915 | - | 23,898 | 7,612 | - | 344,105 |
| <u>\$ 98,108</u> | <u>\$ 59,253</u> | <u>\$ 61,901</u> | <u>\$ 9,821</u> | <u>\$ 23,898</u> | <u>\$ 7,612</u> | <u>\$ 3,043</u> | <u>\$ 344,105</u> |
| \$ - | \$ 386 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 60,167 |
| - | 1,928 | - | - | - | - | - | - |
| 98,108 | 56,939 | - | - | 23,898 | 7,612 | - | 273,716 |
| - | - | 61,901 | 9,821 | - | - | 3,043 | 10,222 |
| <u>98,108</u> | <u>59,253</u> | <u>61,901</u> | <u>9,821</u> | <u>23,898</u> | <u>7,612</u> | <u>3,043</u> | <u>344,105</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ 98,108</u> | <u>\$ 59,253</u> | <u>\$ 61,901</u> | <u>\$ 9,821</u> | <u>\$ 23,898</u> | <u>\$ 7,612</u> | <u>\$ 3,043</u> | <u>\$ 344,105</u> |

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2020

| Data Control Codes | 429 Other State Special Revenue Funds | 461 Campus Activity Funds | 481 Cargill Donation Funds | 486 Lions Club Foundation | |
|--------------------------|--|------------------------------------|-------------------------------------|------------------------------------|-----------------|
| ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | \$ 403,792 | \$ 928,165 | \$ 5,144 | \$ 7,474 |
| 1240 | Due from Other Governments | - | - | - | - |
| 1000 | Total Assets | <u>\$ 403,792</u> | <u>\$ 928,165</u> | <u>\$ 5,144</u> | <u>\$ 7,474</u> |
| LIABILITIES | | | | | |
| 2110 | Accounts Payable | \$ 9,424 | \$ 26,615 | \$ - | \$ - |
| 2160 | Accrued Wages Payable | 34,839 | - | - | - |
| 2170 | Due to Other Funds | - | - | - | - |
| 2300 | Unearned Revenue | 359,529 | - | 5,144 | 7,474 |
| 2000 | Total Liabilities | <u>403,792</u> | <u>26,615</u> | <u>5,144</u> | <u>7,474</u> |
| FUND BALANCES | | | | | |
| Committed Fund Balance: | | | | | |
| 3545 | Other Committed Fund Balance | - | 901,550 | - | - |
| 3000 | Total Fund Balances | <u>-</u> | <u>901,550</u> | <u>-</u> | <u>-</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ 403,792</u> | <u>\$ 928,165</u> | <u>\$ 5,144</u> | <u>\$ 7,474</u> |

| 499 Microsoft Grant | Total Nonmajor Governmental Funds |
|---------------------------|--|
| \$ 2,000 | \$ 1,411,425 |
| - | 1,549,326 |
| <u>\$ 2,000</u> | <u>\$ 2,960,751</u> |
| | |
| \$ - | \$ 108,881 |
| - | 374,822 |
| - | 1,116,364 |
| 2,000 | 459,134 |
| <u>2,000</u> | <u>2,059,201</u> |
| | |
| - | 901,550 |
| <u>-</u> | <u>901,550</u> |
| | |
| <u>\$ 2,000</u> | <u>\$ 2,960,751</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, 2020

| 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 | 1,764,389 | 2,164,549 | 2,600 | 127,782 |
| 5020 Total Revenues | 1,764,389 | 2,164,549 | 2,600 | 127,782 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 1,644,153 | 1,973,037 | 2,125 | 61,270 |
| 0012 Instructional Resources and Media Services | - | - | - | - |
| 0013 Curriculum and Instructional Staff Development | 73,201 | 38,799 | 475 | 66,512 |
| 0021 Instructional Leadership | 34,917 | - | - | - |
| 0023 School Leadership | - | - | - | - |
| 0031 Guidance, Counseling, and Evaluation Services | - | 152,713 | - | - |
| 0035 Food Services | - | - | - | - |
| 0036 Extracurricular Activities | - | - | - | - |
| 0061 Community Services | 12,118 | - | - | - |
| 6030 Total Expenditures | 1,764,389 | 2,164,549 | 2,600 | 127,782 |
| 1200 Net Change in Fund Balance | - | - | - | - |
| 0100 Fund Balance - September 1 (Beginning) | - | - | - | - |
| 3000 Fund Balance - August 31 (Ending) | \$ - | \$ - | \$ - | \$ - |

| 255 ESEA II,A Training and Recruiting | 263 Title III, A English Lang. Acquisition | 272 Medicaid Admin. Claim MAC | 288 Summer School LEP | 289 ESEA Title IV Part A | 385 Visually Impaired SSVI | 397 Advanced Placement Incentives | 410 State Instructional Materials |
|--|---|--|-----------------------------|-----------------------------------|-------------------------------------|--|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | 7,612 | 12,535 | 3,035,946 |
| 334,081 | 212,541 | 37,732 | 2,200 | 67,600 | - | - | - |
| 334,081 | 212,541 | 37,732 | 2,200 | 67,600 | 7,612 | 12,535 | 3,035,946 |
| 1,339 | 192,405 | - | 2,200 | 57,930 | 7,612 | - | 3,035,946 |
| - | - | - | - | - | - | - | - |
| 332,742 | - | - | - | 9,670 | - | 12,535 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 20,136 | 37,732 | - | - | - | - | - |
| 334,081 | 212,541 | 37,732 | 2,200 | 67,600 | 7,612 | 12,535 | 3,035,946 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

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, 2020

| Data Control Codes | 429 Other State Special Revenue Funds | 461 Campus Activity Funds | 481 Cargill Donation Funds | 486 Lions Club Foundation |
|---|--|------------------------------------|-------------------------------------|------------------------------------|
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ - | \$ 1,029,853 | \$ - | \$ - |
| 5800 State Program Revenues | 45,622 | - | - | - |
| 5900 Federal Program Revenues | - | - | - | - |
| 5020 Total Revenues | 45,622 | 1,029,853 | - | - |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 1,360 | 862,133 | - | - |
| 0012 Instructional Resources and Media Services | - | 96,793 | - | - |
| 0013 Curriculum and Instructional Staff Development | - | - | - | - |
| 0021 Instructional Leadership | - | - | - | - |
| 0023 School Leadership | - | 20,326 | - | - |
| 0031 Guidance, Counseling, and Evaluation Services | 44,262 | - | - | - |
| 0035 Food Services | - | 953 | - | - |
| 0036 Extracurricular Activities | - | 65,106 | - | - |
| 0061 Community Services | - | - | - | - |
| 6030 Total Expenditures | 45,622 | 1,045,311 | - | - |
| 1200 Net Change in Fund Balance | - | (15,458) | - | - |
| 0100 Fund Balance - September 1 (Beginning) | - | 917,008 | - | - |
| 3000 Fund Balance - August 31 (Ending) | \$ - | \$ 901,550 | \$ - | \$ - |

| 499 Microsoft Grant | Total Nonmajor Governmental Funds |
|---------------------------|--|
| \$ - | \$ 1,029,853 |
| - | 3,101,715 |
| - | 4,713,474 |
| - | 8,845,042 |
| - | 7,841,510 |
| - | 96,793 |
| - | 533,934 |
| - | 34,917 |
| - | 20,326 |
| - | 196,975 |
| - | 953 |
| - | 65,106 |
| - | 69,986 |
| - | 8,860,500 |
| - | (15,458) |
| - | 917,008 |
| \$ - | \$ 901,550 |

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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, 2020

| Last 10 Years Ended August 31 | (1) | (2) | (3) |
|----------------------------------|-------------|--------------|--|
| | Tax Rates | | Assessed/Appraised Value for School Tax Purposes |
| | Maintenance | Debt Service | |
| 2011 and prior years | Various | Various | \$ Various |
| 2012 | 1.030000 | 0.500000 | 5,999,924,771 |
| 2013 | 1.040000 | 0.500000 | 5,953,465,538 |
| 2014 | 1.170000 | 0.370000 | 6,244,673,109 |
| 2015 | 1.170000 | 0.370000 | 6,686,408,952 |
| 2016 | 1.170000 | 0.370000 | 6,759,398,156 |
| 2017 | 1.170000 | 0.370000 | 7,300,755,522 |
| 2018 | 1.170000 | 0.370000 | 8,067,938,650 |
| 2019 | 1.170000 | 0.370000 | 9,258,345,195 |
| 2020 (School year under audit) | 1.068000 | 0.450000 | 10,465,123,254 |
| 1000 TOTALS | | | |

| | (10) Beginning Balance 9/1/2019 | (20) Current Year's Total Levy | (31) Maintenance Collections | (32) Debt Service Collections | (40) Entire Year's Adjustments | (50) Ending Balance 8/31/2020 |
|----|--|---|------------------------------------|-------------------------------------|---|--|
| \$ | 1,100,494 | \$ - | \$ 10,773 | \$ 3,624 | \$ (1,717) | \$ 1,084,380 |
| | 53,571 | - | 757 | 368 | - | 52,446 |
| | 74,182 | - | 726 | 349 | (16,170) | 56,937 |
| | 179,797 | - | 1,045 | 330 | 163 | 178,585 |
| | 82,134 | - | 19,037 | 6,020 | 3,771 | 60,848 |
| | 112,854 | - | 24,117 | 7,627 | 6,238 | 87,348 |
| | 142,149 | - | 21,717 | 6,868 | (7,859) | 105,705 |
| | 228,617 | - | 9,196 | 2,908 | (70,468) | 146,045 |
| | 712,712 | - | 257,659 | 81,482 | (178,285) | 195,286 |
| | - | 158,860,571 | 111,237,548 | 46,869,754 | - | 753,269 |
| \$ | <u>2,686,510</u> | <u>\$ 158,860,571</u> | <u>\$ 111,582,575</u> | <u>\$ 46,979,330</u> | <u>\$ (264,327)</u> | <u>\$ 2,720,849</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, 2020

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|------------------|--------------|--------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 4,358,343 | \$ 4,388,343 | \$ 3,161,942 | \$ (1,226,401) |
| 5800 State Program Revenues | 45,000 | 45,000 | 42,448 | (2,552) |
| 5900 Federal Program Revenues | 4,773,658 | 4,851,914 | 4,095,649 | (756,265) |
| 5020 Total Revenues | 9,177,001 | 9,285,257 | 7,300,039 | (1,985,218) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0035 Food Services | 8,923,587 | 9,001,843 | 7,953,677 | 1,048,166 |
| 6030 Total Expenditures | 8,923,587 | 9,001,843 | 7,953,677 | 1,048,166 |
| 1200 Net Change in Fund Balances | 253,414 | 283,414 | (653,638) | (937,052) |
| 0100 Fund Balance - September 1 (Beginning) | 2,028,872 | 2,028,872 | 2,028,872 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 2,282,286 | \$ 2,312,286 | \$ 1,375,234 | \$ (937,052) |

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, 2020

| 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 | \$ 48,248,500 | \$ 47,498,500 | \$ 47,354,678 | \$ (143,822) |
| 5800 State Program Revenues | 800,000 | 723,123 | 791,133 | 68,010 |
| 5900 Federal Program Revenues | 1,511,172 | 1,035,649 | 1,035,653 | 4 |
| 5020 Total Revenues | 50,559,672 | 49,257,272 | 49,181,464 | (75,808) |
| EXPENDITURES: | | | | |
| Debt Service: | | | | |
| 0071 Principal on Long-Term Debt | 15,478,936 | 21,258,936 | 21,258,938 | (2) |
| 0072 Interest on Long-Term Debt | 25,086,382 | 26,909,263 | 26,909,260 | 3 |
| 0073 Bond Issuance Cost and Fees | 50,000 | 965,290 | 928,244 | 37,046 |
| 6030 Total Expenditures | 40,615,318 | 49,133,489 | 49,096,442 | 37,047 |
| 1100 Excess of Revenues Over Expenditures | 9,944,354 | 123,783 | 85,022 | (38,761) |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7911 Capital Related Debt Issued | - | 92,215,000 | 92,215,000 | - |
| 7916 Premium or Discount on Issuance of Bonds | - | 17,128,133 | 17,128,132 | (1) |
| 8949 Other (Uses) | - | (108,449,142) | (108,449,142) | - |
| 7080 Total Other Financing Sources (Uses) | - | 893,991 | 893,990 | (1) |
| 1200 Net Change in Fund Balances | 9,944,354 | 1,017,774 | 979,012 | (38,762) |
| 0100 Fund Balance - September 1 (Beginning) | 5,153,460 | 5,153,460 | 5,153,460 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 15,097,814 | \$ 6,171,234 | \$ 6,132,472 | \$ (38,762) |

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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, 2020, 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 16, 2021.

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 16, 2021

Members:
AMERICAN INSTITUTE OF
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**HANKINS, EASTUP, DEATON,
TONN & SEAY**
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Eagle Mountain-Saginaw Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Eagle Mountain-Saginaw Independent School District's major federal programs for the year ended August 31, 2020. Eagle Mountain-Saginaw Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Eagle Mountain-Saginaw Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eagle Mountain-Saginaw Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Eagle Mountain-Saginaw Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

Report on Internal Control Over Compliance

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

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

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

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



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

January 16, 2021

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No
7. Major programs include:

Child Nutrition Cluster:
CFDA 10.553 School Breakfast Program
CFDA 10.555 National School Lunch Program - Cash Assistance
CFDA 10.555 National School Lunch Program - Non-Cash Assistance
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Low risk auditee: No

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, 2020

NONE

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

| (1) | (2) | (3) | (4) |
|---|---------------------------|--|-------------------------|
| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
| U.S. DEPARTMENT OF DEFENSE | | | |
| <u>Direct Programs</u> | | | |
| ROTC | 12.000 | 01-220918 | \$ 63,786 |
| Total Direct Programs | | | 63,786 |
| TOTAL U.S. DEPARTMENT OF DEFENSE | | | 63,786 |
| | | | |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <u>Passed Through State Department of Education</u> | | | |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 19610101220918 | 227,914 |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 20610101220918 | 1,623,663 |
| Total CFDA Number 84.010A | | | 1,851,577 |
| *IDEA - Part B, Formula | 84.027 | 186600012209186600 | 164,209 |
| *IDEA - Part B, Formula | 84.027 | 196600012209186600 | 7,744 |
| *IDEA - Part B, Formula | 84.027 | 206600012209186600 | 2,106,480 |
| Total CFDA Number 84.027 | | | 2,278,433 |
| *IDEA - Part B, Preschool | 84.173 | 186610012209186610 | 2,659 |
| *IDEA - Part B, Preschool | 84.173 | 196610012209186610 | 228 |
| *IDEA - Part B, Preschool | 84.173 | 206610012209186610 | 475 |
| Total CFDA Number 84.173 | | | 3,362 |
| Total Special Education Cluster (IDEA) | | | 2,281,795 |
| Career and Technical - Basic Grant | 84.048 | 20420006220918 | 133,686 |
| Title III, Part A - English Language Acquisition | 84.365A | 19671001220918 | 9,433 |
| Title III, Part A - English Language Acquisition | 84.365A | 20671001220918 | 207,937 |
| Total CFDA Number 84.365A | | | 217,370 |
| ESEA, Title II, Part A, Teacher Principal Training | 84.367A | 19694501220918 | 48,894 |
| ESEA, Title II, Part A, Teacher Principal Training | 84.367A | 20694501220918 | 303,004 |
| Total CFDA Number 84.367A | | | 351,898 |
| Summer School LEP | 84.369A | 69551902 | 2,200 |
| ESEA Title IV, Part A | 84.424A | 19680101220918 | 38,984 |
| ESEA Title IV, Part A | 84.424A | 20680101220918 | 33,991 |
| Total CFDA Number 84.424A | | | 72,975 |
| Total Passed Through State Department of Education | | | 4,911,501 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | 4,911,501 |
| | | | |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| <u>Direct Programs</u> | | | |
| Medicaid Administrative Claiming Program - MAC | 93.778 | 01-220918 | 37,732 |
| Total Direct Programs | | | 37,732 |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | 37,732 |

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2020

| (1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | (2) Federal CFDA Number | (3) Pass-Through Entity Identifying Number | (4) Federal Expenditures |
|--|----------------------------------|---|--------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <u>Passed Through the State Department of Agriculture</u> | | | |
| *School Breakfast Program | 10.553 | 52402001 | 940,754 |
| *National School Lunch Program - Cash Assistance | 10.555 | 52302001 | 3,106,561 |
| *National School Lunch Prog. - Non-Cash Assistance | 10.555 | 52302001 | 598,334 |
| Total CFDA Number 10.555 | | | <u>3,704,895</u> |
| Total Child Nutrition Cluster | | | <u>4,645,649</u> |
| Total Passed Through the State Department of Agriculture | | | <u>4,645,649</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | <u>4,645,649</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$ 9,658,668</u></u> |

*Clustered Programs

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
 NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
 YEAR ENDED AUGUST 31, 2020

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, 2020, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.
4. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in the Uniform Guidance.
5. During the current year, the District received the following funds which are not included in the Schedule of Expenditures of Federal Awards.

| | |
|---|---------------------|
| Total Expenditures of Federal Awards | \$ 9,658,668 |
| Medicaid Reimbursement (SHARS) | 2,798,633 |
| Federal Interest Subsidy-Bonds | <u>1,035,653</u> |
| Federal Revenues per Financial Statements | <u>\$13,492,954</u> |

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