

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE**

**YEAR ENDED AUGUST 31, 2012**

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2012

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CERTIFICATE OF BOARD

Eagle Mountain-Saginaw Independent School District      Tarrant      220-918  
Name of School District      County      Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2012, at a meeting of the Board of Trustees of such school district on the \_\_\_\_\_ day of January, 2013.

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

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

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

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

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CERTIFIED PUBLIC ACCOUNTANTS

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

UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS  
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER  
SUPPLEMENTARY INFORMATION  
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Independent Auditor's Report

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

Members of the Board:

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express opinions on them based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. 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 financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules, excluding the Fund Balance and Cash Flow Calculation Worksheet (Exhibit J-3) which is marked unaudited and on which we express no opinion, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Hankins, Eastup, Deaton, Tonn & Seay*

Hankins, Eastup, Deaton, Tonn & Seay  
A Professional Corporation  
Certified Public Accountants

January 10, 2013

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2012  
(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, 2012. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 17.

**FINANCIAL HIGHLIGHTS**

- The assets of Eagle Mountain-Saginaw Independent School District exceeded its liabilities at the close of the most recent fiscal period by \$6,735,467 (net assets). Included in the total is \$13,071,616 of unrestricted net assets that may be used to meet the District's ongoing obligations to citizens and creditors in accordance with the District's fund commitments and fiscal policies.
- The District's total net assets decreased by \$3,447,059.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$28,185,540. Over 86% of this total amount (\$24,372,735) is unassigned and available for use within the District's commitments and policies.
- At the end of the current fiscal period, unassigned fund balance for the general fund was \$24,372,735 or 20.3 % of the total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The government-wide financial statements include the Statement of Net Assets 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 Assets 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 Assets includes all the District's assets 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 assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets 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 Assets 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-eight 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 twenty-four 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 Assets 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 assets that can be found on page 32. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net assets of the District's governmental activities decreased from \$10,113,504 to \$6,686,937. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$13,023,086 at August 31, 2012. This decrease in governmental net assets was the result of several factors. First, the District's revenues exceeded expenditures by \$8,739,889 (as adjusted for the effects of capital outlay and debt service payments.) However, the District recorded depreciation expense, which is a non-cash expense that reduces the value of District assets, in the amount of \$10,710,673. In addition, various adjustments totaling \$1,455,783 were posted to revenues and expenses to account for prepaid expenses, interest accruals and tax revenues earned during the period under the full accrual method of accounting.

In 2012, net assets of our business-type activities decreased by \$20,492. This decrease is relatively insignificant to the overall operations of the District, but it represents significant services to the community through the childcare services program.

**Table I**  
**NET ASSETS**

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Current and other assets	\$117,170,433	\$ 60,094,620	\$90,512	\$77,380	\$117,260,945	\$ 60,172,000
Capital assets	533,703,991	567,442,246	-	-	533,703,991	567,442,246
Total assets	650,874,424	627,536,866	90,512	77,380	650,964,936	627,614,246
Long-term liabilities	600,953,727	594,600,119	-	-	600,953,727	594,600,119
Other liabilities	39,807,193	26,249,810	21,490	28,850	39,828,683	26,278,660
Total liabilities	640,760,920	620,849,929	21,490	28,850	640,782,410	620,878,779
Net Assets:						
Invested in capital assets net of related debt	(51,995,346)	(10,280,596)	-	-	(51,995,346)	(10,280,596)
Restricted	44,824,109	3,944,447	-	-	44,824,109	3,944,447
Unrestricted	17,284,741	13,023,086	69,022	48,530	17,353,763	13,071,616
Total net assets	10,113,504	6,686,937	69,022	48,530	10,182,526	6,735,467

The \$13,023,086 of unrestricted net assets in the governmental activities represents resources available to fund the programs of the District next year.

**Table II**  
**CHANGES IN NET ASSETS**

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 7,406,309	\$ 7,684,372	\$785,126	\$691,961	\$ 8,191,435	\$ 8,376,333
Operating grants and contributions	19,984,118	15,373,460	-	-	19,984,118	15,373,460
General Revenues:						
Maintenance and operations taxes	59,962,722	62,395,066	-	-	59,962,722	62,395,066
Debt service taxes	30,070,226	30,241,562	-	-	30,070,226	30,241,562
State aid - formula grants	50,914,917	51,774,900	-	-	50,914,917	51,774,900
Grants and Contributions	7,656	-	-	-	7,656	-
Investment Earnings	263,949	221,550	-	-	263,949	221,550
Miscellaneous	288,747	232,875	-	-	288,747	232,875
Total Revenue	168,898,644	167,923,785	785,126	691,961	169,683,770	168,615,746
Expenses:						
Instruction, curriculum and media services	89,420,405	86,551,620	848,366	712,453	90,268,771	87,264,073
Instructional and school leadership	9,652,385	10,044,049	-	-	9,652,385	10,044,049
Student support services	11,593,373	11,789,997	-	-	11,593,373	11,789,997
Food Services	6,714,835	7,522,616	-	-	6,714,835	7,522,616
Extracurricular activities	5,181,020	4,791,916	-	-	5,181,020	4,791,916
General administration	4,082,631	4,040,374	-	-	4,082,631	4,040,374
Plant maintenance, security & data processing	18,053,612	19,208,859	-	-	18,053,612	19,208,859
Debt services	26,945,968	26,871,844	-	-	26,945,968	26,871,844
Intergovernmental charges	576,655	563,256	-	-	576,655	563,256
Total Expenses	172,220,884	171,384,531	848,366	712,453	173,069,250	172,096,984
Increase (decrease) in net assets before transfers and special items	(3,322,240)	(3,460,746)	(63,240)	(20,492)	(3,385,480)	(3,481,238)
Gain on sale of assets	-	34,179	-	-	-	34,179
Change in net assets	(3,322,240)	(3,426,567)	(63,240)	(20,492)	(3,385,480)	(3,447,059)
Net Assets – beginning of year	13,435,744	10,113,504	132,262	69,022	13,568,006	10,182,526
Net Assets – end of year	10,113,504	6,686,937	69,022	48,530	10,182,526	6,735,467

The cost of all governmental activities for the current fiscal period was \$171,384,531. However, as shown in the Statement of Activities on pages 18 and 19, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$92,636,628 because some of the costs were paid by those who directly benefited from the programs (\$7,684,372) or by other governments and organizations that subsidized certain programs with grants and contributions (\$15,373,460) or by State equalization funding (\$51,774,900).

## 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 \$28,185,540 a decrease of \$43,087,210 below the previous year. Approximately 84.4 percent of this total amount (\$23,812,523) constitutes *committed, assigned and unassigned fund balance*. The remainder of fund balance is *nonspendable* or *restricted* to indicate that it is not available for new spending because it is already restricted to pay debt service (\$2,731,680), or already spent on inventories (\$217,087) or prepaid items (\$984,412).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$24,372,735, while the total fund balance was \$28,491,974. 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 20.30 percent of the total general fund expenditures, while the total fund balance represents 23.74 percent of that same amount.

The fund balance of the District's general fund increased by \$2,043,333 during the current fiscal year. Key factors related to this change are as follows:

- An increase in the District's property tax rate caused an increase in tax revenues of \$2,252,058. This was supplemented by an increase in state revenues of \$820,744. The net total revenue for the general fund increased by \$3,354,955. General fund expenditures increased by a smaller amount (\$2,750,916 total or 2.3%) due to careful monitoring of expenditures.

The debt service fund has a total fund balance of \$2,731,680, all of which is reserved for the payment of debt service. The net decrease in fund balance during the period in the debt service fund was \$1,123,123.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund decreased by \$43,926,355, due to \$43,991,644 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 Assets 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, 2011). 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 \$28,491,974 reported on page 20 differs from the General Fund's budgetary fund balance of \$25,799,880 reported in the budgetary comparison schedule on page 28. This is principally due to lower than expected State funding revenue offset by cost savings in several functional expenditure categories.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At August 31, 2012, the District had \$567,442,246 (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 \$33,738,255, or 6.3 percent, above last year.

This fiscal year's major additions included:

Continuing construction costs on a new high school, paid for with proceeds of general obligation bonds.	\$ 35,988,498
Continuing construction costs on renovations at an existing high school, paid for with proceeds of general obligations bonds.	4,782,238
Totaling	<u>\$ 40,770,736</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 \$594,600,119 in long-term debt (\$568,981,430 outstanding bonds plus accreted interest, refunding losses and premiums/discounts on bonds) versus \$600,953,727 last year—a decrease of \$6,353,606 or 1.1 percent. The only debt issuance during the fiscal period was a refunding bond 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 \$599,924,771, which is in excess of the District's outstanding general obligation debt.

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

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

- The economy and, in particular, funding from the State of Texas is the major story for Eagle Mountain – Saginaw ISD as we look to the future. The legislature addressed a \$24 billion deficit in the State's biennium budget this past session. For the first time the legislature cut funding to school districts; both in total and on a per student basis. The total cuts to Eagle Mountain-Saginaw ISD in the past biennium were around 7%.
- Several school districts in the State of Texas filed lawsuits against the State of Texas alleging inadequate and inequitable funding. In addition, the school districts have alleged that the current funding system mechanism is unconstitutional. The lawsuit is currently in court and regardless of the ruling of the court we expect an appeal to the Supreme Court. The timing and the results of the lawsuit are unknown at this time.
- Because of the lawsuits and continued economic constraints, the future of school finance is vague. Current law would result in a significant reduction in state funding to Eagle Mountain-Saginaw ISD in 2017-18. While there is a possibility that either the legislature or the courts could change current law, Eagle Mountain-Saginaw ISD must begin preparing for this future reduction. Our planning for this event is two fold:

- Evaluation of operations and the identification of cuts that can be made starting in the 2013-2014 fiscal year with additional cuts in future years. In preparation for possible cuts, Eagle Mountain-Saginaw ISD declared Financial Exigency in November of 2012; and
- Calling a tax ratification election (TRE) that would allow the District to access an additional \$0.13 on the property tax rate. The additional pennies would generate approximately \$8,500,000 in additional local and state revenue per annum.
- Eagle Mountain-Saginaw ISD is in a favorable position. We continue to have student growth, which generates additional funding for the District. This growth will be an advantage as it is expected to continue into the foreseeable future. However, in spite of the growth we do anticipate future cuts in programs and services.
- Taxable assessed values were just about level after an increase of approximately 1% in the prior year. While an increase in our assessed value does not provide additional operating revenue, it does provide relief on the debt service obligations, which are funded 100% by property taxes. We anticipate that taxable assessed values will continue to increase; however, we anticipate increases to be moderate for the next few years.
- Our fund balance increased in the period ended August 31, 2012 and is currently over a level considered optimal by the State of Texas. Our Board of Trustees has set a goal of three months of operations in fund balance. We are not at this level; however we have added to the fund balance and the number of months in fund balance has increased to 2.7. We will continue to consider fund balance as one of our key funding components as we put together future budgets.

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

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

## BASIC FINANCIAL STATEMENTS



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EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2012

EXHIBIT A-1

Data Control Codes			
	1	2	3
	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 50,833,406	\$ 72,381	\$ 50,905,787
1220 Property Taxes Receivable (Delinquent)	2,635,016	-	2,635,016
1230 Allowance for Uncollectible Taxes	(131,750)	-	(131,750)
1240 Due from Other Governments	940,490	-	940,490
1290 Other Receivables, net	94,338	-	94,338
1300 Inventories	217,087	-	217,087
1410 Deferred Expenses	1,022,118	4,999	1,027,117
1420 Capitalized Bond and Other Debt Issuance Costs	4,483,915	-	4,483,915
Capital Assets:			
1510 Land	29,478,767	-	29,478,767
1520 Buildings, Net	315,414,861	-	315,414,861
1530 Furniture and Equipment, Net	14,813,487	-	14,813,487
1580 Construction in Progress	207,735,131	-	207,735,131
1000 Total Assets	627,536,866	77,380	627,614,246
<b>LIABILITIES</b>			
2110 Accounts Payable	8,326,328	450	8,326,778
2150 Payroll Deductions & Withholdings	510,101	-	510,101
2160 Accrued Wages Payable	4,316,789	28,400	4,345,189
2180 Due to Other Governments	11,595,454	-	11,595,454
2200 Accrued Expenses	1,108,877	-	1,108,877
2300 Deferred Revenues	392,261	-	392,261
Noncurrent Liabilities			
2501 Due Within One Year	9,203,432	-	9,203,432
2502 Due in More Than One Year	585,396,687	-	585,396,687
2000 Total Liabilities	620,849,929	28,850	620,878,779
<b>NET ASSETS</b>			
3200 Invested in Capital Assets, Net of Related Debt	(10,280,596)	-	(10,280,596)
Restricted for:			
3820 Restricted for Food Service	522,098	-	522,098
3850 Restricted for Debt Service	2,731,680	-	2,731,680
3870 Restricted for Campus Activities	690,669	-	690,669
3900 Unrestricted Net Assets	13,023,086	48,530	13,071,616
3000 Total Net Assets	\$ 6,686,937	\$ 48,530	\$ 6,735,467

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, 2012

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 82,165,952	\$ 249,883	\$ 9,730,729
12 Instructional Resources and Media Services	2,794,009	-	278,024
13 Curriculum and Staff Development	1,591,659	-	285,104
21 Instructional Leadership	1,386,518	-	132,302
23 School Leadership	8,657,531	-	480,783
31 Guidance, Counseling and Evaluation Services	5,714,890	-	314,768
32 Social Work Services	75,190	-	2,920
33 Health Services	1,541,467	-	133,842
34 Student (Pupil) Transportation	4,458,450	-	1,028,106
35 Food Services	7,522,616	6,933,996	-
36 Extracurricular Activities	4,791,916	330,574	468,136
41 General Administration	4,040,374	75,392	171,869
51 Facilities Maintenance and Operations	16,334,763	94,527	619,121
52 Security and Monitoring Services	750,070	-	5,200
53 Data Processing Services	2,061,390	-	86,999
61 Community Services	62,636	-	29,636
72 Debt Service - Interest on Long Term Debt	26,626,102	-	1,605,921
73 Debt Service - Bond Issuance Cost and Fees	245,742	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	3,500	-	-
99 Other Intergovernmental Charges	559,756	-	-
[TG] Total Governmental Activities:	171,384,531	7,684,372	15,373,460
BUSINESS-TYPE ACTIVITIES:			
01 Childcare Services	712,453	691,961	-
[TB] Total Business-Type Activities:	712,453	691,961	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 172,096,984	\$ 8,376,333	\$ 15,373,460
Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		
DT	Property Taxes, Levied for Debt Service		
SF	State Aid - Formula Grants		
IE	Investment Earnings		
MI	Miscellaneous Local and Intermediate Revenue		
S1	Special Item - Gain on Sale of Assets		
TR	Total General Revenues and Special Items		
CN	Change in Net Assets		
NB	Net Assets--Beginning		
NE	Net Assets--Ending		

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

Net (Expense) Revenue and Changes in Net Assets		
6	7	8
	Primary Government	
Governmental Activities	Business-type Activities	Total
\$ (72,185,340)	\$ -	\$ (72,185,340)
(2,515,985)	-	(2,515,985)
(1,306,555)	-	(1,306,555)
(1,254,216)	-	(1,254,216)
(8,176,748)	-	(8,176,748)
(5,400,122)	-	(5,400,122)
(72,270)	-	(72,270)
(1,407,625)	-	(1,407,625)
(3,430,344)	-	(3,430,344)
(588,620)	-	(588,620)
(3,993,206)	-	(3,993,206)
(3,793,113)	-	(3,793,113)
(15,621,115)	-	(15,621,115)
(744,870)	-	(744,870)
(1,974,391)	-	(1,974,391)
(33,000)	-	(33,000)
(25,020,181)	-	(25,020,181)
(245,742)	-	(245,742)
(3,500)	-	(3,500)
(559,756)	-	(559,756)
(148,326,699)	-	(148,326,699)
-	(20,492)	(20,492)
-	(20,492)	(20,492)
(148,326,699)	(20,492)	(148,347,191)
62,395,066	-	62,395,066
30,241,562	-	30,241,562
51,774,900	-	51,774,900
221,550	-	221,550
232,875	-	232,875
34,179	-	34,179
144,900,132	-	144,900,132
(3,426,567)	(20,492)	(3,447,059)
10,113,504	69,022	10,182,526
\$ 6,686,937	\$ 48,530	\$ 6,735,467

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2012

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 39,930,493	\$ 4,378,494	\$ 4,628,964
1220 Property Taxes - Delinquent	1,914,126	720,890	-
1230 Allowance for Uncollectible Taxes (Credit)	(95,706)	(36,044)	-
1240 Receivables from Other Governments	70,671	-	-
1260 Due from Other Funds	3,164,496	-	-
1290 Other Receivables	92,338	-	-
1300 Inventories	146,586	-	-
1410 Deferred Expenditures	972,653	-	-
1000 Total Assets	<u>\$ 46,195,657</u>	<u>\$ 5,063,340</u>	<u>\$ 4,628,964</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
2110 Accounts Payable	\$ 951,632	\$ -	\$ 6,993,670
2150 Payroll Deductions and Withholdings Payable	510,101	-	-
2160 Accrued Wages Payable	4,046,353	-	-
2170 Due to Other Funds	-	639,100	1,886,175
2180 Due to Other Governments	10,506,698	1,088,756	-
2200 Accrued Expenditures	31,405	-	-
2300 Deferred Revenues	1,657,494	603,804	-
2000 Total Liabilities	<u>17,703,683</u>	<u>2,331,660</u>	<u>8,879,845</u>
Fund Balances:			
Nonspendable Fund Balance:			
3410 Inventories	146,586	-	-
3430 Prepaid Items	972,653	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	2,731,680	-
Committed Fund Balance:			
3510 Construction	3,000,000	-	-
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance (Deficit)	24,372,735	-	(4,250,881)
3000 Total Fund Balances	<u>28,491,974</u>	<u>2,731,680</u>	<u>(4,250,881)</u>
4000 Total Liabilities and Fund Balances	<u>\$ 46,195,657</u>	<u>\$ 5,063,340</u>	<u>\$ 4,628,964</u>

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

Child Nutrition	Other Funds	Total Governmental Funds
\$ 949,949	\$ 945,506	\$ 50,833,406
-	-	2,635,016
-	-	(131,750)
85,877	783,942	940,490
-	-	3,164,496
-	2,000	94,338
70,501	-	217,087
11,759	37,706	1,022,118
<u>\$ 1,118,086</u>	<u>\$ 1,769,154</u>	<u>\$ 58,775,201</u>
\$ 286,535	\$ 94,491	\$ 8,326,328
-	-	510,101
94,200	176,236	4,316,789
-	639,221	3,164,496
-	-	11,595,454
-	-	31,405
215,253	168,537	2,645,088
<u>595,988</u>	<u>1,078,485</u>	<u>30,589,661</u>
70,501	-	217,087
11,759	-	984,412
439,838	-	439,838
-	-	2,731,680
-	-	3,000,000
-	690,669	690,669
-	-	20,121,854
<u>522,098</u>	<u>690,669</u>	<u>28,185,540</u>
<u>\$ 1,118,086</u>	<u>\$ 1,769,154</u>	<u>\$ 58,775,201</u>

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EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
AUGUST 31, 2012

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 28,185,540</b>
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.	676,049,699
2 Accumulated depreciation has not been included in the governmental fund financial statements.	(108,607,453)
3 Bonds payable have not been included in the governmental fund financial statements.	(568,981,430)
4 Accreted interest for capital appreciation bonds have not been included in the governmental fund financial statements.	(16,877,277)
5 Deferred revenue on property taxes in the fund financial statements was recorded as revenue in the district-wide financial statements.	2,252,827
6 Interest is accrued on outstanding debt in the district-wide financial statements, whereas in the fund financial statements, an interest expenditure is reported when due.	(1,077,472)
7 Bond issuance costs reported as an expenditure in the fund financial statements are capitalized in the district-wide financial statements.	4,483,915
8 Loss on the refunding of bonds reported as net other financing uses on the fund financial statements is deferred in the district-wide financial statements.	5,379,074
9 Premium on the issuance of bonds reported as net other financing sources on the fund financial statements is capitalized in the district-wide financial statements.	(14,120,486)
<b>19 Net Assets of Governmental Activities</b>	<b>\$ 6,686,937</b>

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



EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 63,767,192	\$ 30,359,714	\$ 65,289
5800	State Program Revenues	58,164,561	-	-
5900	Federal Program Revenues	135,211	1,605,921	-
5020	Total Revenues	122,066,964	31,965,635	65,289
EXPENDITURES:				
Current:				
0011	Instruction	69,616,329	-	-
0012	Instructional Resources and Media Services	2,422,062	-	-
0013	Curriculum and Instructional Staff Development	1,226,387	-	-
0021	Instructional Leadership	1,214,176	-	-
0023	School Leadership	7,941,959	-	-
0031	Guidance, Counseling and Evaluation Services	5,231,736	-	-
0032	Social Work Services	69,631	-	-
0033	Health Services	1,368,346	-	-
0034	Student (Pupil) Transportation	4,458,450	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	4,113,647	-	-
0041	General Administration	3,727,438	-	-
0051	Facilities Maintenance and Operations	15,126,713	-	-
0052	Security and Monitoring Services	694,378	-	-
0053	Data Processing Services	2,185,532	-	-
0061	Community Services	60,055	-	-
Debt Service:				
0071	Principal on Long Term Debt	-	7,739,507	-
0072	Interest on Long Term Debt	-	25,168,045	-
0073	Bond Issuance Cost and Fees	-	138,794	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	43,991,644
Intergovernmental:				
0095	Payments to Juvenile Justice Alternative Ed. Prg.	3,500	-	-
0099	Other Intergovernmental Charges	559,756	-	-
6030	Total Expenditures	120,020,095	33,046,346	43,991,644
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	2,046,869	(1,080,711)	(43,926,355)
OTHER FINANCING SOURCES (USES):				
7911	Capital Related Debt Issued (Refunding Bonds)	-	6,655,000	-
7912	Sale of Real and Personal Property	34,179	-	-
7916	Premium or Discount on Issuance of Bonds	-	356,257	-
8911	Other Uses	-	(148,856)	-
8940	Payment to Bond Refunding Escrow Agent (Use)	-	(6,904,813)	-
8949	Legal Settlement	(10,800)	-	-
7080	Total Other Financing Sources (Uses)	23,379	(42,412)	-
SPECIAL AND EXTRAORDINARY ITEMS:				
7918	Special Item - Oil & Gas Lease	3,329	-	-
7919	Extraordinary Item - Insurance Recovery	457,464	-	-
8913	Extraordinary Item - Turf Replacement	(487,708)	-	-
1200	Net Change in Fund Balances	2,043,333	(1,123,123)	(43,926,355)
0100	Fund Balance - September 1 (Beginning)	26,448,641	3,854,803	39,675,474
3000	Fund Balance - August 31 (Ending)	\$ 28,491,974	\$ 2,731,680	\$ (4,250,881)

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

Child Nutrition	Other Funds	Total Governmental Funds
\$ 3,148,121	\$ 1,267,064	\$ 98,607,380
38,207	1,197,640	59,400,408
3,747,668	4,718,394	10,207,194
6,933,996	7,183,098	168,214,982
-	6,117,808	75,734,137
-	164,494	2,586,556
-	247,093	1,473,480
-	69,394	1,283,570
-	72,757	8,014,716
-	58,828	5,290,564
-	-	69,631
-	58,668	1,427,014
-	-	4,458,450
7,030,839	-	7,030,839
-	322,473	4,436,120
-	2,943	3,730,381
-	281	15,126,994
-	-	694,378
-	-	2,185,532
-	2,581	62,636
-	-	7,739,507
-	-	25,168,045
-	-	138,794
-	50,000	44,041,644
-	-	3,500
-	-	559,756
7,030,839	7,167,320	211,256,244
(96,843)	15,778	(43,041,262)
-	-	6,655,000
-	-	34,179
-	-	356,257
-	-	(148,856)
-	-	(6,904,813)
-	-	(10,800)
-	-	(19,033)
-	-	3,329
-	-	457,464
-	-	(487,708)
(96,843)	15,778	(43,087,210)
618,941	674,891	71,272,750
\$ 522,098	\$ 690,669	\$ 28,185,540

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, 2012

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (43,087,210)</b>
Current year capital outlays are expenditures in the governmental fund financial statements, but are shown as increase in capital assets in the government-wide financial statements.	44,448,928
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources.	(10,710,673)
Current year long-term debt principal payments on contractual obligations, are expenditures in the governmental fund financial statements, but are shown as reductions in long-term debt in the district-wide financial statements.	7,739,507
Current year increase in the accretion on capital appreciation bonds is not reflected in the governmental fund financial statements, but is shown as increases in accreted interest on the district-wide financial statements.	(1,622,887)
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.	(41,101)
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.	761,289
Current year amortization of bond issuance costs is not recognized in the fund financial statements, but is shown as a reduction to the bond issuance costs asset in the government-wide financial statements.	(203,437)
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.	(417,857)
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.	(6,655,000)
Payments to refund bonds payable are shown as other financing uses in the fund financial statements, but are shown as a reduction in long-term debt in the government-wide financial statements.	6,904,813
Bond issuance costs are expenditures in the fund financial statements, but are capitalized in the government-wide financial statements.	96,489

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2012

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The premium on the current year issuance of bonds is recorded as an other resource in the fund financial statements, but is capitalized in the government-wide financial statements.	(356,257)
Revenue from property taxes is deferred 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 deferred property taxes.	(283,171)
<b>Change in Net Assets of Governmental Activities</b>	<hr/> \$ (3,426,567) <hr/>

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2012

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	\$ 63,890,707	\$ 63,719,091	\$ 63,767,192	\$ 48,101
5800	State Program Revenues	58,101,782	59,295,465	58,164,561	(1,130,904)
5900	Federal Program Revenues	570,000	160,000	135,211	(24,789)
5020	Total Revenues	122,562,489	123,174,556	122,066,964	(1,107,592)
EXPENDITURES:					
Current:					
0011	Instruction	73,423,435	71,446,694	69,616,329	1,830,365
0012	Instructional Resources and Media Services	2,567,239	2,600,944	2,422,062	178,882
0013	Curriculum and Instructional Staff Development	1,293,860	1,419,698	1,226,387	193,311
0021	Instructional Leadership	1,274,574	1,331,277	1,214,176	117,101
0023	School Leadership	7,901,532	8,059,908	7,941,959	117,949
0031	Guidance, Counseling and Evaluation Services	5,266,663	5,362,749	5,231,736	131,013
0032	Social Work Services	113,168	84,964	69,631	15,333
0033	Health Services	1,422,536	1,471,196	1,368,346	102,850
0034	Student (Pupil) Transportation	3,940,000	4,513,500	4,458,450	55,050
0036	Extracurricular Activities	3,988,256	4,387,776	4,113,647	274,129
0041	General Administration	3,979,636	3,948,140	3,727,438	220,702
0051	Facilities Maintenance and Operations	13,841,685	15,410,282	15,126,713	283,569
0052	Security and Monitoring Services	596,452	753,109	694,378	58,731
0053	Data Processing Services	2,143,137	2,400,280	2,185,532	214,748
0061	Community Services	33,000	62,000	60,055	1,945
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	80,000	10,000	3,500	6,500
0099	Other Intergovernmental Charges	600,000	560,000	559,756	244
6030	Total Expenditures	122,465,173	123,822,517	120,020,095	3,802,422
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	97,316	(647,961)	2,046,869	2,694,830
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	35,000	34,179	(821)
8949	Legal Settlement	-	(10,800)	(10,800)	-
7080	Total Other Financing Sources (Uses)	-	24,200	23,379	(821)
SPECIAL AND EXTRAORDINARY ITEMS:					
7918	Special Item - Oil & Gas Lease	-	-	3,329	3,329
7919	Extraordinary Item - Insurance Recovery	-	523,000	457,464	(65,536)
8913	Extraordinary Item - Turf Replacement	-	(548,000)	(487,708)	60,292
1200	Net Change in Fund Balances	97,316	(648,761)	2,043,333	2,692,094
0100	Fund Balance - September 1 (Beginning)	26,448,641	26,448,641	26,448,641	-
3000	Fund Balance - August 31 (Ending)	\$ 26,545,957	\$ 25,799,880	\$ 28,491,974	\$ 2,692,094

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AUGUST 31, 2012

EXHIBIT D-1

	Business-Type Activities
	Total Enterprise Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 72,381
Deferred Expenses	4,999
	<hr/>
Total Assets	77,380
	<hr/>
LIABILITIES	
Current Liabilities:	
Accounts Payable	450
Accrued Wages Payable	28,400
	<hr/>
Total Liabilities	28,850
	<hr/>
NET ASSETS	
Unrestricted Net Assets	48,530
	<hr/>
Total Net Assets	\$ 48,530
	<hr/>

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 ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

	Business-Type Activities
	Total Enterprise Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 691,961
Total Operating Revenues	<u>691,961</u>
OPERATING EXPENSES:	
Payroll Costs	650,129
Professional and Contracted Services	4,250
Supplies and Materials	20,464
Other Operating Costs	29,298
Capital Outlay	8,312
Total Operating Expenses	<u>712,453</u>
Operating Income (Loss)	(20,492)
Total Net Assets - September 1 (Beginning)	<u>69,022</u>
 Total Net Assets - August 31 (Ending)	 <u><u>\$ 48,530</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, 2012

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Charges and Fees	\$ 691,961
Cash Payments for Payroll Costs	(643,219)
Cash Payments for Purchased Services	(9,249)
Cash Payments for Supplies and Materials	(20,014)
Cash Payments for Other Expenses	(29,298)
Cash Payments for Capital Outlay	(8,312)
Net Cash Used for Operating Activities	(18,131)
Net Decrease in Cash and Cash Equivalents	(18,131)
Cash and Cash Equivalents at Beginning of Year	90,512
Cash and Cash Equivalents at End of Year	\$ 72,381
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	\$ (20,492)
Operating Income (Loss):	
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Deferred Expenses	(4,999)
Increase (decrease) in Accounts Payable	450
Increase (decrease) in Accrued Wages Payable	6,910
Net Cash Used for Operating Activities	\$ (18,131)

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



EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2012

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	Agency Funds
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ASSETS	
Cash and Cash Equivalents	\$ 310,260
Total Assets	<u>\$ 310,260</u>
LIABILITIES	
Due to Student Groups	\$ 310,260
Total Liabilities	<u>\$ 310,260</u>

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012

**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 assets and the statement of changes in net assets) 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, 2012

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, 2012

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  
ESEA I, A Improving Basic Programs-ARRA - Federal stimulus funds for reading and math assistance  
Education Jobs Fund - Federal funds designed to save or create education jobs  
Summer School LEP - funds for summer education of limited English proficient students  
State Energy Grant - funds granted for wind energy improvements  
Visually Impaired - funds granted for visually impaired students  
Advanced Placement Incentives - funds granted under the Texas Advanced Placement Award incentive program  
Student Success Initiative - funds granted for teacher training and students needing reading education  
State Textbook Fund - funds granted for textbook and technology needs  
Campus Activity Funds - accounts for funds raised by a campus for the benefit of that campus  
Cargill Donation Fund - accounts for the use of a donation received by the District for a specific purpose  
Gen Youth Foundation - funds granted to promote healthier eating and nutrition by students  
Meadows Foundation - accounts for the use of a donation received by the District for a specific purpose

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

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A 90-day availability period is also used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

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

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

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

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012

**D. BUDGETARY CONTROL**

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

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

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

Over the course of the year, the Board of Trustees revised the District’s budget at times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August, 2011). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The principal amendment in this case was an increase in the anticipated amount of State funding to be received. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**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, 2012 totaled \$41,609.

**I. INTERFUND RECEIVABLES AND PAYABLES**

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

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012

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. However, the calculated balance due to employees with the minimum 5 years of service with the District has been reported as a long-term debt of the District.

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

**L. CASH EQUIVALENTS**

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

**M. NET ASSETS**

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.



EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012

**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 assets. 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. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES**

In fiscal year 2002, the District implemented GASB Statement No. 33 (GASB 33), "Accounting and Financial Reporting for Nonexchange Transactions", GASB Statement No. 34 (GASB 34), "Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments", GASB Statement No. 37 (GASB 37), "Basis Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus" and GASB Statements No. 38 (GASB 38), "Certain Financial Statement Disclosures".

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve *fiscal accountability* and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow users of financial reports to assess a government's *operational accountability*. The new GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

As a result, the financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column. The government-wide financial statements split the District programs between governmental and business-type activities.

**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 2012, 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.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012

**Q. SUBSEQUENT EVENTS**

Management has reviewed events subsequent to August 31, 2012 through January 10, 2013, which is the date the financial statements were available to be issued. One subsequent event was identified that is required to be disclosed in the financial statements and is described in Note 21.

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

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items and inventories as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law. Food service resources are to be used in the food service program.
- 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, 2012 for construction and for campus activities.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has no assigned fund balance as of August 31, 2012.
- 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 \$24,372,735 at August 31, 2012. Deferred expenditures (prepaid items) of \$972,653 and inventories of \$146,586 are considered nonspendable fund balance. The District has committed general fund fund balance resources of \$3,000,000 for construction as of August 31, 2012.

#### **Other Major Funds**

The Debt Service Fund has restricted funds of \$2,731,680 at August 31, 2012 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. \$439,838 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 (\$70,501) or prepaid items (\$11,759).

#### **Other Funds**

The fund balance of \$690,669 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities.

#### **Capital Projects Fund Balance Deficit**

The Capital Project fund has a fund balance deficit of \$4,250,881 at August 31, 2012, due to retainage due on various construction contracts at that date. The District sold \$10,000,000 in unlimited tax building bonds in October, 2012. The fund balance deficit will be eliminated through the issuance of those bond proceeds.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012

**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, 2012, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$12,511,399 and the bank balance was \$14,935,092. The District's cash deposits at August 31, 2012 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2012, the District's cash balances totaled \$14,935,092. This entire amount was either collateralized with a surety bond held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At August 31, 2012, the District held all of its investments in two public funds investment pools (Lone Star and TexPool). Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk - This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year-end was AAAM (Standard & Poor's), and the credit quality rating for Lone Star was AA Af (Standard & Poor's).

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- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexPool and Lone Star investments is less than 60 days.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2012, the District was not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

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

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

The District's investments at August 31, 2012, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
TexPool	\$ 688,610	\$ 688,610
Lone Star	<u>37,993,777</u>	<u>37,993,777</u>
Total	<u>\$38,682,387</u>	<u>\$38,682,387</u>

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**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2012, was as follows:

	<u>Balance</u> <u>September 1</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirement/</u> <u>Adjustments</u>	<u>Balance</u> <u>August 31</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 29,478,002	\$ 765	\$ -	\$ 29,478,767
Construction in Progress	<u>201,809,282</u>	<u>43,734,837</u>	<u>(37,808,988)</u>	<u>207,735,131</u>
Total capital assets, not being depreciated	<u>231,287,284</u>	<u>43,735,602</u>	<u>(37,808,988)</u>	<u>237,213,898</u>
Capital assets, being depreciated:				
Buildings and Improvements	379,610,004	29,953,786	-	409,563,790
Furniture and Equipment	<u>20,703,483</u>	<u>8,568,528</u>	<u>-</u>	<u>29,272,011</u>
Total capital assets, being depreciated	<u>400,313,487</u>	<u>38,522,314</u>	<u>-</u>	<u>438,835,801</u>
Less accumulated depreciation for:				
Buildings and Improvements	(86,885,603)	(7,263,326)	-	(94,148,929)
Furniture and Equipment	<u>(11,011,177)</u>	<u>(3,447,347)</u>	<u>-</u>	<u>(14,458,524)</u>
Total accumulated depreciation	<u>(97,896,780)</u>	<u>(10,710,673)</u>	<u>-</u>	<u>(108,607,453)</u>
Total capital assets being depreciated, net	<u>302,416,707</u>	<u>27,811,641</u>	<u>-</u>	<u>330,228,348</u>
Governmental activities capital assets, net	<u>\$533,703,991</u>	<u>\$ 71,547,243</u>	<u>\$ (37,808,988)</u>	<u>\$ 567,442,246</u>

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

Governmental activities:	
Instruction	\$ 6,431,816
Instructional Resources & Media Services	207,453
Curriculum & Instructional Staff Development	118,179
Instructional Leadership	102,948
School Leadership	642,815
Guidance, Counseling & Evaluation Services	424,326
Social Work Services	5,559
Health Services	114,453
Food Services	563,904
Cocurricular/Extracurricular Activities	355,796
General Administration	299,193
Plant Maintenance and Operations	1,213,250
Data Processing Services	55,692
Security & Monitoring Services	175,289
Total depreciation expense-Governmental activities	<u>\$10,710,673</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 seventeen series of general obligation bonds, accreted interest on capital appreciation bonds, premiums/discounts on bond issuances, and loss on bond refundings. All long-term debt represents transactions in the District's governmental activities. No long-term debt exists in the District's business-type activities.

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The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2012:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amount Original Issue</u>	<u>Amounts Outstanding 9/1/11</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 8/31/12</u>	<u>Due Within One Year</u>
Bonded Indebtedness:							
2000 Bldg/Refunding	4.85-5.25%	8,850,000	\$ 900,000	\$ -	\$ 900,000	\$ -	\$ -
2002 Bldg/Refunding	2.5-5.125%	38,540,000	4,050,000	-	4,050,000	-	-
2002A Bldg/Refunding	2.74-5.77%	75,445,000	6,486,434	-	19,507	6,466,927	362,071
2004 Building	3.40-5.00%	9,000,000	7,965,000	-	1,925,000	6,040,000	225,000
2005A Bldg/Refunding	2.92-5.00%	19,788,088	14,280,000	-	645,000	13,635,000	670,000
2005B Refunding	2.50-4.00%	4,795,000	2,875,000	-	670,000	2,205,000	700,000
2005C Refunding	2.65-5.00%	24,055,000	21,790,000	-	2,870,000	18,920,000	3,005,000
2006 Building	3.50-5.00%	59,375,000	55,060,000	-	420,000	54,640,000	430,000
2006A Building	4.00-5.00%	68,500,000	63,945,000	-	1,205,000	62,740,000	1,275,000
2006B Refunding	3.68-4.45%	76,424,511	76,200,000	-	15,000	76,185,000	15,000
2007 Building	4.25-5.00%	90,550,000	87,585,000	-	830,000	86,755,000	1,285,000
2008 Building	3.25-5.41%	97,450,000	94,485,000	-	100,000	94,385,000	100,000
2010A Building	4.783%	12,445,000	12,445,000	-	-	12,445,000	-
2010B Building	3.31-4.83%	12,699,503	12,699,503	-	-	12,699,503	-
2010C Building	4.933-5.033%	54,855,000	54,855,000	-	-	54,855,000	-
2010D Refunding	1.66-3.30%	6,100,000	6,100,000	-	-	6,100,000	-
2011 Building	Variable	55,000,000	55,000,000	-	-	55,000,000	-
2011 Refunding	2.00-4.00%	6,560,000	-	6,560,000	745,000	5,815,000	300,000
2011A Refunding	0.930%	95,000	-	95,000	-	95,000	95,000
Total Bonded Indebtedness			<u>576,720,937</u>	<u>6,655,000</u>	<u>14,394,507</u>	<u>568,981,430</u>	<u>8,462,071</u>
Loss on Bond Refunding			(5,547,118)	(249,813)	(417,857)	(5,379,074)	(417,857)
Premiums/Discounts on Bond Issuance			14,525,518	356,257	761,289	14,120,486	761,289
Accreted Interest			<u>15,254,390</u>	<u>1,997,497</u>	<u>374,610</u>	<u>16,877,277</u>	<u>397,929</u>
Total Other Obligations			<u>24,232,790</u>	<u>2,103,941</u>	<u>718,042</u>	<u>25,618,689</u>	<u>741,361</u>
Total Obligations of District			<u>\$600,953,727</u>	<u>\$ 8,758,941</u>	<u>\$15,112,549</u>	<u>\$594,600,119</u>	<u>\$ 9,203,432</u>

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

The District will pay a 2.50% interest rate on the Series 2011 variable rate bonds until July 31, 2014. For purposes of the debt service requirements disclosed in Note 6, a 5.00% interest rate is assumed thereafter.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2012.

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**NOTE 6. DEBT SERVICE REQUIREMENTS - BONDS**

Debt service requirements to maturity are as follows:

<u>Year Ended</u> <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2013	\$ 8,462,071	\$ 25,269,853	\$ 33,731,924
2014	10,208,419	24,756,918	34,965,337
2015	11,146,445	26,526,357	37,672,802
2016	11,318,938	26,339,532	37,658,470
2017	10,780,816	26,854,516	37,635,332
2018-2022	67,505,458	132,703,507	200,208,965
2023-2027	99,369,488	107,367,300	206,736,788
2028-2032	124,298,454	78,258,087	202,556,541
2033-2037	91,076,341	47,334,547	138,410,888
2038-2042	56,135,000	27,757,039	83,892,039
2043-2047	53,155,000	14,613,750	67,768,750
2048-2050	<u>25,525,000</u>	<u>2,277,750</u>	<u>27,802,750</u>
	<u>\$568,981,430</u>	<u>\$540,059,156</u>	<u>\$1,109,040,586</u>

**NOTE 7. DEFEASED BONDS OUTSTANDING**

On December 7, 2011, the District issued \$6,560,000 (par value) in unlimited tax refunding bonds (current interest bonds) with interest rates ranging from 2.00% to 4.00% and \$95,000 (par value) in unlimited tax refunding bonds (capital appreciation bonds) with an interest rate of 0.93% to advance refund \$6,655,000 of unlimited tax school building bonds. The unlimited tax refunding bonds were issued at a net premium of \$356,257, and, after paying issuance costs of \$96,489, the net proceeds were \$6,914,768. The net proceeds from the issuance of the unlimited tax refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bond matures. The advance refunding met the requirements of an in-substance debt defeasance and the unlimited tax school building bonds were removed from the District's long-term liabilities.

As a result of the advance refunding, the District increased its total debt service requirements by \$1,406,950 and resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$287,748.

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

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On August 31, 2012, \$107,599,510 of bonds outstanding are considered defeased.

**NOTE 8. 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 \$559,756 in fiscal year 2012 for appraising property.



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The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. The appraisal and recording of all property within the District is the responsibility of the Tarrant County Appraisal District (TCAD), an independent government unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. TCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the TCAD Review Board through various appeals and, if necessary, legal action. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2011-12 fiscal year was based was \$5,999,924,771. 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, 2012, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.03 and \$0.50 per \$100 valuation, respectively, for a total of \$1.53 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2012 were 99.10% 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, 2012, property taxes receivable, net of estimated uncollectible taxes, totaled \$1,818,420 and \$684,846 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and deferred 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 deferred revenues and recognized as revenue of the period to which they apply.

#### **NOTE 9. PENSION PLAN OBLIGATIONS**

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

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

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**Funding Policy** - Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.644% of the District's covered payroll. In certain instances the District is required to make all or a portion of the state's 6.644% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. The District's employees' contributions to the System for the years ending August 31, 2010, 2011, and 2012 were \$5,618,520, \$5,892,971 and \$5,798,081, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2010, 2011, and 2012 were \$1,288,137, \$1,414,124 and \$1,233,425, respectively, equal to the required contributions for each year. The amounts contributed by the State, for the years ended August 31, 2010, 2011, and 2012 were \$4,536,203, \$4,703,517 and \$4,901,272, respectively, and are reflected in the financial statements in the General Fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24.

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

**NOTE 10. SCHOOL DISTRICT RETIREE HEALTH PLAN**

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

*Funding Policy.* Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2012, 2011 and 2010. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2012, 2011, and 2010, the State's contributions to the TRS-Care were \$905,950, \$920,776, and \$877,894, respectively, the active member contributions were \$588,868, \$598,504, and \$570,631, respectively, and the school district's contribution were \$498,272, \$506,427, and \$482,842, respectively, which equaled the required contributions each year.

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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, 2012, the contribution made on behalf of the District was \$236,567.

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependents regardless of age. An "early retiree" is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered as an active employee of the plan sponsor. This temporary program is available to help employers continue to provide coverage to early retirees. TRS has been certified for this program and received funds from the ERRP program. These funds are considered on-behalf payments and are recognized as equal revenues and expenditures/expenses by the District. For the year ended August 31, 2012, the contribution made on behalf of the District was \$223,716.

**NOTE 11. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at August 31, 2012, 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	\$ 93,227	\$ -
IDEA - Part B, Formula	460,164	-
IDEA - Part B, Preschool	3,651	-
ESEA Title II Training and Recruiting	48,469	-
ESEA Title III English Lang Acquisition	33,710	-
Total	639,221	-
Debt Service Fund	639,100	-
Capital Projects Fund	1,886,175	-
Total General Fund	3,164,496	-
<u>Special Revenue Fund</u>		
General Fund	-	639,221
Total Special Revenue Fund	-	639,221
<u>Debt Service Fund</u>		
General Fund	-	639,100
Total Debt Service Fund	-	639,100
<u>Capital Projects Fund</u>		
General Fund	-	1,886,175
Total Capital Projects Fund	-	1,886,175
Total	<u>\$3,164,496</u>	<u>\$3,164,496</u>

Virtually all of the above interfund balances are short-term loans due to the fact that checking account balances for most governmental funds are pooled into one demand account. There are no interfund balances that are not expected to be repaid within one year. There were no interfund transfers during the year ended August 31, 2012.

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**NOTE 12. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2012, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$1,914,126	\$ 70,671	\$3,164,496	\$92,338	\$5,241,631
Debt Service Fund	720,890	-	-	-	720,890
Special Revenue Fund	-	869,819	-	-	869,819
Total - Governmental Activities	<u>\$2,635,016</u>	<u>\$940,490</u>	<u>\$3,164,496</u>	<u>\$92,338</u>	<u>\$6,832,340</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 131,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,750</u>

Payables at August 31, 2012, 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	\$ 951,632	\$4,556,454	\$ -	\$10,506,698	\$16,014,784
Debt Service Fund	-	-	639,100	1,088,756	1,727,856
Capital Projects Fund	6,993,670	-	1,886,175	-	8,879,845
Special Revenue Funds	<u>381,026</u>	<u>270,436</u>	<u>639,221</u>	<u>-</u>	<u>1,290,683</u>
Total-Governmental Activities	<u>\$8,326,328</u>	<u>\$4,826,890</u>	<u>\$3,164,496</u>	<u>\$11,595,454</u>	<u>\$27,913,168</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Detail of the Due to Other Governments balance of \$10,506,698 in the general fund at August 31, 2012 is as follows:

2011/12 Foundation overpayment balance per the 10/3/12 near-final Summary of Finance	\$12,026,046
Less additional revenue earned per the 11/5/12 near-final Summary of Finance	(12,219)
Less Foundation accrual for August, 2012 days of instruction	(1,328,662)
Less Per Capital accrual for August, 2012 days of instruction	<u>(190,687)</u>
Subtotal	10,494,478
Old outstanding checks due to State as unclaimed property	<u>12,220</u>
Total	<u>\$10,506,698</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012

**NOTE 13. 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, 2012, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	County Tax Collections in Transit	State Entitlements	Federal Grants	Total
General	\$ 70,671	\$ -	\$ -	\$ 70,671
Special Revenue	-	-	869,819	869,819
Total	<u>\$ 70,671</u>	<u>\$ -</u>	<u>\$869,819</u>	<u>\$940,490</u>

**NOTE 14. 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, 2012, the estimated rebate liability on outstanding bond series was \$24,918.

**NOTE 15. 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, 2012

**NOTE 16. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$62,071,034	\$ -	\$30,125,122	\$ -	\$92,196,156
Investment Income	122,439	669	33,822	65,289	222,219
Food Sales	-	3,147,452	-	-	3,147,452
Penalties, interest and other tax related income	522,873	-	200,770	-	723,643
Co-curricular student activities	330,574	1,153,872	-	-	1,484,446
Tuition and fees	249,883	178	-	-	250,061
Gifts and bequests	7,117	113,014	-	-	120,131
Facilities rentals	94,527	-	-	-	94,527
Energy incentive rebates	134,961	-	-	-	134,961
Gas royalties	65,990	-	-	-	65,990
Other	167,794	-	-	-	167,794
Total	<u>\$63,767,192</u>	<u>\$4,415,185</u>	<u>\$30,359,714</u>	<u>\$ 65,289</u>	<u>\$98,607,380</u>

**NOTE 17. DEFERRED REVENUE**

Deferred revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Net Tax Revenue	\$1,649,023	\$ -	\$603,804	\$2,252,827
Athletic season tickets	8,471	-	-	8,471
Lunchroom receipts	-	173,644	-	173,644
Food Commodities	-	41,609	-	41,609
Read to Succeed	-	942	-	942
State Textbook Fund	-	99,914	-	99,914
Gen Youth Foundation	-	5,284	-	5,284
AP Campus Awards	-	12,934	-	12,934
AP Incentives	-	18,931	-	18,931
Cargill Donation Fund	-	30,206	-	30,206
Meadows Foundation	-	326	-	326
	<u>\$1,657,494</u>	<u>\$383,790</u>	<u>\$603,804</u>	<u>\$2,645,088</u>

**NOTE 18. COMMITMENTS UNDER LEASES**

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2012, as follows:

Year Ending <u>August 31,</u>	
2013	\$ 498,132
2014	393,497
2015	352,134
2016	61,477
2017	<u>32,671</u>
Total Minimum Rentals	<u>\$1,305,240</u>
Rental Expenditures in Fiscal Year 2012	<u>\$ 388,514</u>

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

**NOTE 19. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION**

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in no functional category for the year ended August 31, 2012.

**NOTE 20. 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, 2012, the District contributed \$3,500 to the fiscal agent as its share of the costs of the joint venture.

**NOTE 21. SUBSEQUENT EVENT**

On October 25, 2012, the District sold \$9,149,646 in Unlimited Tax Refunding Bonds to refund portions of several outstanding bond issues, and also sold \$10,000,000 in Unlimited Tax Building Bonds.

## COMBINING SCHEDULES



EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2012

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	Receivables from Other Governments	126,627	567,181	3,651	-
1290	Other Receivables	-	-	-	-
1410	Deferred Expenditures	-	30,690	-	-
1000	Total Assets	<u>\$ 126,627</u>	<u>\$ 597,871</u>	<u>\$ 3,651</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	33,400	137,707	-	-
2170	Due to Other Funds	93,227	460,164	3,651	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>126,627</u>	<u>597,871</u>	<u>3,651</u>	<u>-</u>
Fund Balances:					
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 126,627</u>	<u>\$ 597,871</u>	<u>\$ 3,651</u>	<u>\$ -</u>

255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	285 ESEA I, A Improving Basic Program	287 Education Jobs Fund	288 State Energy Grant	289 Summer School LEP	385 Visually Impaired SSVI	397 Advanced Placement Incentives
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,931
53,598	32,885	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	825	-	-	-	-	-	-
<u>\$ 53,598</u>	<u>\$ 33,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,931</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,129	-	-	-	-	-	-	-
48,469	33,710	-	-	-	-	-	-
-	-	-	-	-	-	-	18,931
<u>53,598</u>	<u>33,710</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,931</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 53,598</u>	<u>\$ 33,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,931</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2012

Data Control Codes		410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	481 Cargill Donation Fund
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 178,949	\$ 13,876	\$ 697,934	\$ 30,206
1240	Receivables from Other Governments	-	-	-	-
1290	Other Receivables	-	-	2,000	-
1410	Deferred Expenditures	-	-	6,191	-
1000	Total Assets	<u>\$ 178,949</u>	<u>\$ 13,876</u>	<u>\$ 706,125</u>	<u>\$ 30,206</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ 79,035	\$ -	\$ 15,456	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	-	-
2300	Deferred Revenues	99,914	13,876	-	30,206
2000	Total Liabilities	<u>178,949</u>	<u>13,876</u>	<u>15,456</u>	<u>30,206</u>
Fund Balances:					
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	690,669	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>690,669</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 178,949</u>	<u>\$ 13,876</u>	<u>\$ 706,125</u>	<u>\$ 30,206</u>

482 Gen Youth Foundation	483 Meadows Foundation	Total Nonmajor Governmental Funds
\$ 5,284	\$ 326	\$ 945,506
-	-	783,942
-	-	2,000
-	-	37,706
<u>\$ 5,284</u>	<u>\$ 326</u>	<u>\$ 1,769,154</u>
\$ -	\$ -	\$ 94,491
-	-	176,236
-	-	639,221
5,284	326	168,537
<u>5,284</u>	<u>326</u>	<u>1,078,485</u>
-	-	690,669
-	-	690,669
<u>\$ 5,284</u>	<u>\$ 326</u>	<u>\$ 1,769,154</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, 2012

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	590,599	2,530,686	23,542	63,855
5020	Total Revenues	590,599	2,530,686	23,542	63,855
EXPENDITURES:					
Current:					
0011	Instruction	501,380	2,456,340	23,542	63,855
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	20,219	8,150	-	-
0021	Instructional Leadership	66,419	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	8,032	-	-
0033	Health Services	-	58,164	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0061	Community Services	2,581	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
6030	Total Expenditures	590,599	2,530,686	23,542	63,855
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	285 ESEA I, A Improving Basic Program	287 Education Jobs Fund	288 State Energy Grant	289 Summer School LEP	385 Visually Impaired SSVI	397 Advanced Placement Incentives
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	11,803	640
195,050	113,546	23,200	1,117,928	50,000	9,988	-	-
195,050	113,546	23,200	1,117,928	50,000	9,988	11,803	640
5,129	83,242	23,200	1,117,928	-	6,854	11,803	-
-	-	-	-	-	-	-	-
186,946	30,304	-	-	-	-	-	640
2,975	-	-	-	-	-	-	-
-	-	-	-	-	2,630	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	504	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	50,000	-	-	-
195,050	113,546	23,200	1,117,928	50,000	9,988	11,803	640
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2012

Data Control Codes	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	481 Cargill Donation Fund
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 1,191,910	\$ 10,260
5800 State Program Revenues	1,177,224	7,973	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>1,177,224</u>	<u>7,973</u>	<u>1,191,910</u>	<u>10,260</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,177,224	7,923	566,412	10,260
0012 Instructional Resources and Media Services	-	50	164,444	-
0013 Curriculum and Instructional Staff Development	-	-	834	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	70,127	-
0031 Guidance, Counseling and Evaluation Services	-	-	50,796	-
0033 Health Services	-	-	-	-
0036 Extracurricular Activities	-	-	320,295	-
0041 General Administration	-	-	2,943	-
0051 Facilities Maintenance and Operations	-	-	281	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>1,177,224</u>	<u>7,973</u>	<u>1,176,132</u>	<u>10,260</u>
1200 Net Change in Fund Balance	-	-	15,778	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>674,891</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 690,669</u>	<u>\$ -</u>

482 Gen Youth Foundation	483 Meadows Foundation	Total Nonmajor Governmental Funds
\$ 62,716	\$ 2,178	\$ 1,267,064
-	-	1,197,640
-	-	4,718,394
62,716	2,178	7,183,098
62,716	-	6,117,808
-	-	164,494
-	-	247,093
-	-	69,394
-	-	72,757
-	-	58,828
-	-	58,668
-	2,178	322,473
-	-	2,943
-	-	281
-	-	2,581
-	-	50,000
62,716	2,178	7,167,320
-	-	15,778
-	-	674,891
\$ -	\$ -	\$ 690,669



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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, 2012

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2003 and prior years	Various	Various	\$ Various
2004	1.295000	0.310000	3,002,696,558
2005	1.317500	0.332500	3,282,872,826
2006	1.292000	0.342500	4,010,283,496
2007	1.185000	0.350000	4,907,000,912
2008	0.940100	0.390000	5,537,950,154
2009	0.995800	0.470000	6,042,621,435
2010	0.995800	0.470000	6,386,185,496
2011	0.995800	0.500000	5,982,077,550
2012 (School year under audit)	1.030000	0.500000	5,999,924,771
1000 TOTALS			

(10) Beginning Balance 9/1/2011	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2012
\$ 617,397	\$ -	\$ 1,514	\$ 305	\$ (52,632)	\$ 562,946
90,038	-	40	10	(25)	89,963
122,586	-	1,009	255	(27)	121,295
87,151	-	2,584	685	(124)	83,758
89,585	-	28,620	8,453	29,589	82,101
111,337	-	49,257	20,434	60,021	101,667
264,040	-	127,328	60,096	80,012	156,628
428,214	-	161,863	76,397	61,928	251,882
1,094,604	-	456,107	229,015	(51,371)	358,111
-	91,798,849	61,242,712	29,729,472	-	826,665
<u>\$ 2,904,952</u>	<u>\$ 91,798,849</u>	<u>\$ 62,071,034</u>	<u>\$ 30,125,122</u>	<u>\$ 127,371</u>	<u>\$ 2,635,016</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014  
 GENERAL AND SPECIAL REVENUE FUNDS  
 AUGUST 31, 2012

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 342,582	\$ 2,475,937	\$ -	\$ -	\$ 2,818,519
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	148,694	-	-	-	148,694
6212	Audit Services	-	-	-	42,000	-	-	42,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	585,601	-	-	-	-	585,601
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	800	-	5,483	15,692	-	-	21,975
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	37,199	-	-	37,199
6290	Miscellaneous Contr.	700	-	137,978	179,017	-	-	317,695
6320	Textbooks and Reading	-	-	339	1,284	-	-	1,623
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	710	-	5,347	70,955	-	-	77,012
6410	Travel, Subsistence, Stipends	8,925	-	9,243	47,450	-	-	65,618
6420	Ins. and Bonding Costs	-	-	-	62,984	-	-	62,984
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	9,572	-	43,910	47,911	-	-	101,393
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	9,824	9,824
6000	TOTAL	\$ 20,707	\$ 585,601	\$ 693,576	\$ 2,980,429	\$ -	\$ 9,824	\$ 4,290,137

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 134,218,254

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 876,380
Total Debt & Lease(6500)	(11) -
Plant Maintenance (Function 51, 6100-6400)	(12) 15,072,081
Food (Function 35, 6341 and 6499)	(13) 3,251,744
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	2,980,429

SubTotal:

22,180,634

Net Allowed Direct Cost

\$ 112,037,620

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 409,563,790
Historical Cost of Building over 50 years old	(16) \$ -
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 29,272,011
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

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

\$559,756 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
GENERAL FUND AS OF AUGUST 31, 2012

EXHIBIT J-3

**UNAUDITED**

1	Total General Fund Balance as of 8/31/12 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 28,491,974
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 1,119,239	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	3,000,000	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	195,874	
7	Estimate of two month's average cash disbursements during the fiscal year.	21,343,775	
8	Estimate of delayed payments from state sources (58xx).	-	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	-	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>25,658,888</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u>\$ 2,833,086</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT J-4

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 3,211,667	\$ 3,211,667	\$ 3,148,121	\$ (63,546)
5800	State Program Revenues	36,519	38,207	38,207	-
5900	Federal Program Revenues	3,467,755	3,767,755	3,747,668	(20,087)
5020	Total Revenues	6,715,941	7,017,629	6,933,996	(83,633)
EXPENDITURES:					
0035	Food Services	6,827,981	7,243,681	7,030,839	212,842
6030	Total Expenditures	6,827,981	7,243,681	7,030,839	212,842
1200	Net Change in Fund Balances	(112,040)	(226,052)	(96,843)	129,209
0100	Fund Balance - September 1 (Beginning)	618,941	618,941	618,941	-
3000	Fund Balance - August 31 (Ending)	\$ 506,901	\$ 392,889	\$ 522,098	\$ 129,209

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 30,753,209	\$ 30,353,209	\$ 30,359,714	\$ 6,505
5900	Federal Program Revenues	1,605,921	1,605,921	1,605,921	-
5020	Total Revenues	32,359,130	31,959,130	31,965,635	6,505
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	7,529,507	7,739,507	7,739,507	-
0072	Interest on Long Term Debt	25,380,861	25,183,853	25,168,045	15,808
0073	Bond Issuance Cost and Fees	100,000	159,956	138,794	21,162
6030	Total Expenditures	33,010,368	33,083,316	33,046,346	36,970
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(651,238)	(1,124,186)	(1,080,711)	43,475
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Refunding Bonds)	-	6,655,000	6,655,000	-
7916	Premium or Discount on Issuance of Bonds	-	356,258	356,257	(1)
8911	Other Uses	-	(148,856)	(148,856)	-
8940	Payment to Bond Refunding Escrow Agent (Use)	-	(6,904,814)	(6,904,813)	1
7080	Total Other Financing Sources (Uses)	-	(42,412)	(42,412)	-
1200	Net Change in Fund Balances	(651,238)	(1,166,598)	(1,123,123)	43,475
0100	Fund Balance - September 1 (Beginning)	3,854,803	3,854,803	3,854,803	-
3000	Fund Balance - August 31 (Ending)	\$ 3,203,565	\$ 2,688,205	\$ 2,731,680	\$ 43,475



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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*

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

We have audited the financial statements of the governmental 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 10, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Eagle Mountain-Saginaw Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the Texas Education Agency, and appropriate federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hankins, Eastup, Deaton, Tonn & Seay*

Hankins, Eastup, Deaton, Tonn & Seay  
A Professional Corporation  
Certified Public Accountants

January 10, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited Eagle Mountain-Saginaw Independent School District's (the "District") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the Texas Education Agency, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hankins, Eastup, Deaton, Tonn & Seay*

Hankins, Eastup, Deaton, Tonn & Seay  
A Professional Corporation  
Certified Public Accountants

January 10, 2013

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2012

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unqualified.
2. No internal control findings required to be reported in this schedule were disclosed in the audit of the financial statements.
3. Noncompliance which is material to the financial statements: None
4. No internal control findings required to be reported in this schedule were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unqualified.
6. Did the audit disclose findings which are required to be reported under Sec. 5 I O (a): No
7. Major programs include:

10.553, 10.555	Child Nutrition Cluster
84.410	Education Jobs Fund
8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
9. Low risk auditee: No

II. Findings Related to the Financial Statements

None



EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2012

Finding 2011-1 – Errors in Reporting Meal Counts for Food Service Breakfast and Lunch Reimbursements

Finding: During the year ended August 31, 2011, errors in reporting eligible meal counts were made on eight of the eleven monthly reimbursement claims submitted to the Texas Education Agency. Overpayments totaling \$71,616 were received in five separate months and \$16,521 of eligible reimbursements were not received due to underreporting of meal counts in three other months. None of the reporting errors had been detected and corrected by the District at the time of the annual audit. The District's food service financial statements for the year ended August 31, 2011 were materially misstated due to these errors.

Status: Corrected reports were filed and the overpayments received in fiscal year 2011 were returned to the State. The Child Nutrition department implemented a system of checks and balances for the reporting of the meal count tally for each campus. The potential for errors of over claiming on severe need breakfast meal counts has been eliminated due to a change in the input method. The tallying of the breakfast and lunch meal counts are now being checked by two people for accuracy. As a result, we found no errors during the current year audit in the reporting of meal counts served during the year ended August 31, 2012.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2012

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<u>Direct Programs</u>			
ROTC	12.000	01-220918	\$ 59,819
Total Direct Programs			\$ 59,819
<b>TOTAL DEPARTMENT OF DEFENSE</b>			\$ 59,819
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	11610101220918	\$ 46,946
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12610101220918	522,960
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101220918	20,693
Total CFDA Number 84.010A			590,599
*ESEA, Title I, A - ARRA -Improving Basic Programs	84.389	10551001220918	23,200
Total Title I, Part A Cluster			613,799
*IDEA - Part B, Formula	84.027	116600012209186600	7,561
*IDEA - Part B, Formula	84.027	126600012209186600	2,382,628
*IDEA - Part B, Formula	84.027	136600012209186600	140,497
Total CFDA Number 84.027			2,530,686
*IDEA - Part B, Preschool	84.173	116610012209186610	3,657
*IDEA - Part B, Preschool	84.173	126610012209186610	19,885
Total CFDA Number 84.173			23,542
Total Special Education Cluster (IDEA)			2,554,228
Career and Technical - Basic Grant	84.048	12420006220918	63,855
Title III, Part A - English Language Acquisition	84.365A	11671001220918	28,920
Title III, Part A - English Language Acquisition	84.365A	12671001220918	75,926
Title III, Part A - Immigrant	84.365A	11671003220918	8,700
Total CFDA Number 84.365A			113,546
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	11694501220918	20,815
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12694501220918	169,106
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501220918	5,129
Total CFDA Number 84.367A			195,050
Summer School LEP	84.369A	69551102	9,988
Education Jobs Fund- ARRA	84.410	11550101220918	1,117,928
Total Passed Through State Department of Education			\$ 4,668,394
<b>TOTAL DEPARTMENT OF EDUCATION</b>			\$ 4,668,394
<b>U.S. DEPARTMENT OF ENERGY</b>			
<u>Passed Through State of Texas Energy Cons. Office</u>			
Emerging Clean Technology Program	81.041	CM1231	\$ 50,000
Total Passed Through State of Texas Energy Cons. Office			\$ 50,000
<b>TOTAL DEPARTMENT OF ENERGY</b>			\$ 50,000

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2012

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401001	\$ 687,317
*National School Lunch Program - Cash Assistance	10.555	71301001	2,656,696
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301001	403,655
Total CFDA Number 10.555			<u>3,060,351</u>
Total Child Nutrition Cluster			<u>3,747,668</u>
Total Passed Through the State Department of Agriculture			<u>\$ 3,747,668</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>\$ 3,747,668</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 8,525,881</u></u>

\*Clustered Programs

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2012

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 deferred 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, 2012, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.
4. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement – Provisional 6/97.
5. During the current year, the District received the following funds which are not included in the Schedule of Expenditures of Federal Awards.

Total Expenditures of Federal Awards	\$ 8,525,881
Indirect Costs	75,392
Federal Interest Subsidy-Bonds	<u>1,605,921</u>
Federal Revenues per Financial Statements	<u>\$10,207,194</u>

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