

**ENNIS INDEPENDENT SCHOOL DISTRICT**

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

ENNIS INDEPENDENT SCHOOL DISTRICT  
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CERTIFICATE OF BOARD

ENNIS INDEPENDENT SCHOOL DISTRICT  
Name of School District

ELLIS  
County

070-903  
County-District Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved       ✓       disapproved \_\_\_\_\_ for the year ended August 31, 2014 at a meeting of the Board of Trustees of such school district on the 13<sup>th</sup> day of January, 2015.



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



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

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):  
(attach list as necessary)

FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Ennis Independent School District  
Ennis, TX 75119

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ennis Independent School District (the "District"), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ennis Independent School District as of August 31, 2014, 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.

## Other Matters

### *Required Supplementary Information*

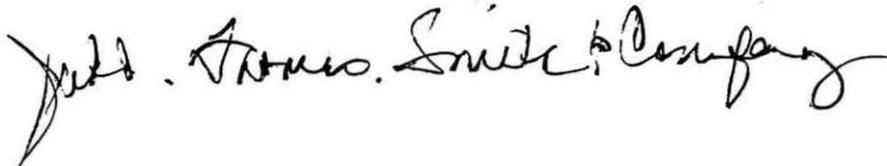
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages iv through viii) and budgetary comparison information (pages 28, 41 and 42) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual nonmajor fund financial statements 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 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 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. Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet) which is marked **UNAUDITED** has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, 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 the 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.



Dallas, Texas  
December 19, 2014

## ENNIS INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Ennis Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2014. Please read it in conjunction with our transmittal letter, the independent auditors' report, and the District's Basic Financial Statements.

### Using this Annual Report

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (Exhibits A-1 and B-1). 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 (Exhibits C-1 and C-3) 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. The remaining statements (for Fiduciary funds) 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 notes to the financial statements 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. These are not required by TEA. The sections labeled Required TEA Schedules and Federal Awards Section contain 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 analysis of the District's overall financial position and operations is illustrated on Exhibit A-1 on the Statement of Net Position, and on Exhibit B-1, the Statement of Activities. Their primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These statements apply the accrual basis of accounting which is 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 of 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 (Exhibits A-1 and B-1) report the District's net position and changes in it. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one

indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

The Statement of Net Position and the Statement of Activities are comprised of governmental activities. 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. The District has no business-type activities.

### Reporting the District's Most Significant Funds

The fund financial statements begin on page 3 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). The District uses exclusively Governmental-type funds (as opposed to Business-type funds) The District's basic services are reported in governmental funds. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

### The District as Trustee

The District is the trustee, or fiduciary, for money raised by student activities and scholarship programs. All of the District's fiduciary activities are reported in the Statement of Fiduciary Net Position on page 10. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### Government-Wide Financial Analysis

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental-type activities; both tables can be found on page viii of this analysis.

As indicated earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$18,394,680 at August 31, 2014, compared to \$12,670,248 at August 31, 2013. Net position is made up of three major components: net investment in capital assets, restricted, and unrestricted. As seen on page viii of this analysis, restricted net position increased \$324,198 and unrestricted net position increased \$70,482. The primary decrease in total net position is a result of net investment in capital assets decreasing approximately \$6.1 million from the prior year. The combination of these three elements resulted in the approximately \$5.7 million overall decrease in net position.

The major factors contributing to the decrease in net position invested in capital assets net of related debt was current year accretion of interest, depreciation expense, capital additions, and repayment of long term debt. Accreted interest is the change in the current value of an original-issue discount bond. Since the interest is compounded each year until it is paid, the bond is sold at a discount from par. Each year a portion of the future obligation to pay the compounded interest is recognized as an expense. The compounded interest is calculated as the change in present value of the bond versus the present value from the previous year. The cash requirements for the repayment of the principal, current interest and compounded interest remain unchanged as a result of this calculation. Those requirements are listed in the footnotes to these financial statements. Depreciation expense is only recorded for purposes of the

government wide financial statement presentation and does not represent an outflow of cash as the cash was paid when the asset was acquired. Capital additions and repayments of long term debt are not shown as an outflow of net position.

Listed below is a detail of the changes in net investment in capital assets:

Beginning balance	\$	(34,411,046)
Accreted Interest		(8,177,750)
Depreciation expense		(4,806,124)
Write-off of unamortized bond costs		(678,319)
Amortization of premiums and deferred charges		69,574
Capital asset additions		258,507
Repayment of debt		7,215,000
Ending balance	\$	<u>(40,530,158)</u>

The negative balance in net investment in capital assets results from the fact that the book balance of the capital assets (purchase costs less accumulated depreciation to date) is less than the book balance of capital debt (outstanding principal plus accreted interest to date). The overall deficit balance in net position is largely a result of the fact that necessary tax revenues for debt service have yet to be assessed and recognized for financial statement purposes. Future tax revenues will be recognized annually as the capital debt nears maturity and will require payment.

As discussed in future detail in Note IV on page 20 of the Notes to Financial Statements, the District implemented during the 2014 fiscal year GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. As a result, bond issuance costs are to be expensed when they occur on the government-wide financial statements. In addition, any previously recorded unamortized bond costs outstanding at the beginning of the fiscal year are to be recorded as an adjustment to beginning net position. The cumulative effect of this adjustment is a decrease in net position of \$678,319. This adjustment is recorded as a change in accounting principle and does not represent a correction of an error.

After the removal of all current year expenditures which do not result in a current year use of cash resources, the District generated approximately \$7.9 million from operating activities. This was used for the repayment of the current year debt obligations of \$7,215,000 and the purchase of new capital assets totaling \$258,507. The District recognized an increase of \$1,676,502 in cash and investments resulting in an ending balance of \$22,759,554 which approximates the total of restricted and unrestricted net position.

The District's total revenues increased by 0.9%, or a total of \$493,197. A significant portion, 47%, of the District's revenues comes from taxes. Tax collections and total tax levy increased approximately 1% from prior year. State revenues increased by approximately 2% and federal revenues increased approximately 1.5%. Investment earnings decreased slightly as interest rates fell throughout the year.

The total cost of all governmental activities, including accreted interest and depreciation expense, for the current year was \$63,249,625. This is down approximately 0.5% from the prior year. As shown in the Statement of Activities on page 2, the amount that our taxpayers ultimately financed for these activities through District taxes and net position was only approximately \$33 million because some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions or by State equalization funding.

### The District's Funds

As the District completed the year, its governmental funds (as presented in the balance sheet on page 3) reported a combined fund balance of \$20,395,755, as compared to the year ending August 31, 2013 fund balance of \$19,802,994. The \$592,761 increase in fund balance results from an increase in the fund balance in the General Fund of \$307,143 and an increase in other governmental funds of \$285,618.

The District's General Fund balance of \$17,530,917 reported on page 5 differs from the General Fund's budgetary fund balance of \$17,315,093 reported in the budgetary comparison schedule on page 28. This is principally due to instruction and facility cost savings.

### Capital Asset and Debt Administration

#### Capital Assets

At the end of 2014, the District had approximately \$164 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, food service, athletics, administration, and maintenance. Additional information on capital assets is contained in Note V, Section F of the Notes to the Financial Statements.

#### Debt

At year-end, the District had \$139,951,902 in bond principal outstanding versus \$146,096,840 last year. Additional information on debt can be found in Note V, Section G of the Notes to the Financial Statements.

### Economic Factors and Next Year's Budgets and Rates

The District's elected and appointed officials considered many factors when setting the fiscal-year 2015 budget and tax rates. One of those factors is the appraised value which had a slight decrease from 2013 appraised values. The District's 2014-2015 refined average daily attendance is expected to remain steady but there has been a slight increase. The District budgeted based on numbers from 2013-2014 with no increase.

These factors as well as others were taken into account when adopting the General Fund budget for 2015. Amounts available for appropriation in the General Fund budget are approximately \$43.6 million. The District will use its revenues to finance programs we currently offer. The District also set aside \$3 million of the General Fund fund balance to fund building improvements. Salaries comprise approximately 80% of the General Fund expenditure budget. The Maintenance and Operations (M&O) tax rate is at the maximum allowed by the State without a rollback election. The District will not be able to further increase the M & O rate without going to the voters for approval under current legislation. The Interest and Sinking (I&S) tax rate remained the same and will be used to cover the debt payments as a result of the issued bonds.

If these estimates are realized, the District's budgetary General Fund balance is expected to decline by the close of 2015 by approximately the \$3 million set aside for improvements.

### 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 show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Ennis Independent School District, 303 W. Knox, Ennis, TX 75119.

Ennis Independent School District

Table I  
Net Position

	Governmental Activities 2014	Governmental Activities 2013
Current and other assets	\$ 25,873,705	\$ 24,728,041
Capital assets, net	164,296,657	168,844,274
Total assets	190,170,362	193,572,315
Deferred outflows of resources	6,170,628	6,516,277
Total assets and deferred outflows of resources	196,340,990	200,088,592
Long-term liabilities	206,617,443	203,234,916
Other liabilities	8,118,227	9,523,924
Total liabilities	214,735,670	212,758,840
Net Position:		
Investment in capital assets net of related debt	(40,530,158)	(34,411,046)
Restricted	2,730,756	2,406,558
Unrestricted	19,404,722	19,334,240
Total net position	\$ (18,394,680)	\$ (12,670,248)

Table II  
Changes in Net Position

	Governmental Activities 2014	Governmental Activities 2013
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
Operating grants and contributions	8,223,768	8,669,214
General revenues:		
Maintenance and operations taxes	18,268,098	18,123,307
Debt service taxes	8,777,463	8,656,821
Grants and contributions not restricted to specific functions	21,841,598	20,888,437
Investment earnings	48,389	63,784
Miscellaneous	1,044,196	1,308,752
Total revenue	58,203,512	57,710,315
Expenses:		
11 Instruction	31,685,719	31,099,128
12 Instructional resources and media services	810,149	809,019
13 Curriculum and staff development	641,090	556,382
21 Instructional leadership	499,126	482,110
23 School leadership	2,458,509	2,445,970
31 Guidance, counseling and evaluation services	1,847,172	1,894,359
32 Social work services	38,877	33,179
33 Health services	597,004	591,851
34 Student (pupil) transportation	1,520,903	1,424,769
35 Food services	3,343,735	3,317,520
36 Cocurricular/extracurricular activities	1,846,772	1,759,424
41 General administration	1,704,620	2,120,947
51 Plant maintenance and operations	5,215,094	4,709,122
52 Security and monitoring services	292,718	257,368
53 Data processing services	543,470	611,318
61 Community services	37,475	33,625
72 Debt service - Interest on long term debt	9,893,055	11,392,850
73 Debt service - Bond issuance cost and fees	4,850	5,292
81 Facilities acquisition and construction	269,287	-
93 Payments to fiscal agent/member districts of SSA	-	-
Total expenses	63,249,625	63,544,233
Decrease in net position	(5,046,113)	(5,833,918)
Change in accounting principle	(678,319)	-
Beginning net position	(12,670,248)	(6,836,330)
Ending net position	\$ (18,394,680)	\$ (12,670,248)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ENNIS ISD  
STATEMENT OF NET POSITION  
AUGUST 31, 2014

EXHIBIT A-1

Data Control Codes	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 279,341
1120 Current Investments	22,495,790
1220 Property Taxes Receivable (Delinquent)	1,730,494
1230 Allowance for Uncollectible Taxes	(10,000)
1240 Due from Other Governments	1,223,712
1290 Other Receivables, net	11,028
1300 Inventories	57,837
1410 Prepayments	85,503
Capital Assets:	
1510 Land	5,600,696
1520 Buildings, Net	156,683,485
1530 Furniture and Equipment, Net	2,012,476
1000 Total Assets	<u>190,170,362</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	6,170,628
1700 Total Deferred Outflows of Resources	<u>6,170,628</u>
<b>LIABILITIES</b>	
2110 Accounts Payable	1,178,434
2120 Short Term Debt Payable	7,380,000
2150 Payroll Deductions & Withholdings	(6,044)
2160 Accrued Wages Payable	1,488,454
2165 Accrued Liabilities	49
2180 Due to Other Governments	397,114
2200 Accrued Expenses	37,271
2300 Unearned Revenue	642,949
Noncurrent Liabilities	
2502 Due in More Than One Year	203,617,443
2000 Total Liabilities	<u>214,735,670</u>
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	(40,530,158)
3820 Restricted for Federal and State Programs	751,420
3850 Restricted for Debt Service	1,599,353
3860 Restricted for Capital Projects	236,643
3890 Restricted for Other Purposes	143,340
3900 Unrestricted	19,404,722
3000 Total Net Position	<u>\$ (18,394,680)</u>

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

ENNIS ISD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2014

Net (Expense)  
Revenue and  
Changes in Net  
Position

Data Control Codes	1	Program Revenues		6
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 31,685,719	\$ -	\$ 3,757,981	\$ (27,927,738)
12 Instructional Resources and Media Services	810,149	-	31,593	(778,556)
13 Curriculum and Staff Development	641,090	-	131,088	(510,002)
21 Instructional Leadership	499,126	-	27,936	(471,190)
23 School Leadership	2,458,509	-	116,111	(2,342,398)
31 Guidance, Counseling and Evaluation Services	1,847,172	-	475,924	(1,371,248)
32 Social Work Services	38,877	-	2,627	(36,250)
33 Health Services	597,004	-	30,865	(566,139)
34 Student (Pupil) Transportation	1,520,903	-	26,051	(1,494,852)
35 Food Services	3,343,735	-	3,078,002	(265,733)
36 Extracurricular Activities	1,846,772	-	386,993	(1,459,779)
41 General Administration	1,704,620	-	67,106	(1,637,514)
51 Facilities Maintenance and Operations	5,215,094	-	13,004	(5,202,090)
52 Security and Monitoring Services	292,718	-	11,312	(281,406)
53 Data Processing Services	543,470	-	29,700	(513,770)
61 Community Services	37,475	-	37,475	-
72 Debt Service - Interest on Long Term Debt	9,893,055	-	-	(9,893,055)
73 Debt Service - Bond Issuance Cost and Fees	4,850	-	-	(4,850)
81 Capital Outlay	269,287	-	-	(269,287)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 63,249,625	\$ -	\$ 8,223,768	(55,025,857)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	18,268,098
DT	Property Taxes, Levied for Debt Service	8,777,463
GC	Grants and Contributions not Restricted	21,841,598
IE	Investment Earnings	48,389
MI	Miscellaneous Local and Intermediate Revenue	1,044,196
TR	Total General Revenues	49,979,744
CN	Change in Net Position	(5,046,113)
NB	Net Position - Beginning	(12,670,248)
PA	Prior Period Adjustment	(678,319)
NE	Net Position--Ending	\$ (18,394,680)

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

ENNIS ISD  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 308,661	\$ -	\$ (44,897)	\$ 263,764
1120 Investments - Current	19,067,933	1,609,883	1,817,974	22,495,790
1220 Property Taxes - Delinquent	1,168,645	561,849	-	1,730,494
1230 Allowance for Uncollectible Taxes (Credit)	(6,753)	(3,247)	-	(10,000)
1240 Receivables from Other Governments	631,771	11,860	580,081	1,223,712
1260 Due from Other Funds	587,281	27,331	-	614,612
1290 Other Receivables	11,028	-	-	11,028
1300 Inventories	-	-	57,837	57,837
1410 Prepayments	85,503	-	-	85,503
1000 Total Assets	<u>\$ 21,854,069</u>	<u>\$ 2,207,676</u>	<u>\$ 2,410,995</u>	<u>\$ 26,472,740</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 715,085	\$ -	\$ 458,429	\$ 1,173,514
2150 Payroll Deductions and Withholdings Payable	(6,044)	-	-	(6,044)
2160 Accrued Wages Payable	1,397,846	-	89,555	1,487,401
2170 Due to Other Funds	37,005	-	587,281	624,286
2180 Due to Other Governments	359,253	37,861	-	397,114
2200 Accrued Expenditures	28,625	-	8,646	37,271
2300 Unearned Revenues	629,490	11,860	1,599	642,949
2000 Total Liabilities	<u>3,161,260</u>	<u>49,721</u>	<u>1,145,510</u>	<u>4,356,491</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	1,161,892	558,602	-	1,720,494
2600 Total Deferred Inflows of Resources	<u>1,161,892</u>	<u>558,602</u>	<u>-</u>	<u>1,720,494</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	-	-	57,837	57,837
3430 Prepaid Items	85,503	-	-	85,503
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	751,420	751,420
3470 Capital Acquisition and Contractual Obligation	-	-	236,643	236,643
3480 Retirement of Long-Term Debt	-	1,599,353	-	1,599,353
Committed Fund Balance:				
3510 Construction	6,492,647	-	-	6,492,647
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	219,585	219,585
3600 Unassigned Fund Balance	10,952,767	-	-	10,952,767
3000 Total Fund Balances	<u>17,530,917</u>	<u>1,599,353</u>	<u>1,265,485</u>	<u>20,395,755</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 21,854,069</u>	<u>\$ 2,207,676</u>	<u>\$ 2,410,995</u>	<u>\$ 26,472,740</u>

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

ENNIS ISD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2014

<b>Total Fund Balances - Governmental Funds</b>	\$	20,395,755
1 The District uses internal service funds to charge the costs of certain activities, such as printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		19,229
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$248,061,425 and the accumulated depreciation was \$79,217,151. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		(34,411,016)
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2013 capital outlays and debt principal payments is to decrease net position.		(704,243)
4 GASB 65 require that any unamortized debt issue costs from prior periods be written off as a change in accounting principle. This caused a decrease in net position.		(678,319)
5 The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(4,806,125)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		1,790,039
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>(18,394,680)</b>

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

ENNIS ISD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 19,048,947	\$ 8,945,320	\$ 887,363	\$ 28,881,630
5800 State Program Revenues	22,783,336	365,528	516,528	23,665,392
5900 Federal Program Revenues	394,528	-	5,366,840	5,761,368
5020 Total Revenues	<u>42,226,811</u>	<u>9,310,848</u>	<u>6,770,731</u>	<u>58,308,390</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	25,500,150	-	2,515,332	28,015,482
0012 Instructional Resources and Media Services	810,123	-	26	810,149
0013 Curriculum and Instructional Staff Development	533,171	-	107,919	641,090
0021 Instructional Leadership	496,803	-	2,323	499,126
0023 School Leadership	2,328,205	-	99	2,328,304
0031 Guidance, Counseling and Evaluation Services	1,446,153	-	407,019	1,853,172
0032 Social Work Services	38,877	-	-	38,877
0033 Health Services	586,669	-	538	587,207
0034 Student (Pupil) Transportation	1,539,252	-	616	1,539,868
0035 Food Services	-	-	3,078,002	3,078,002
0036 Extracurricular Activities	1,092,944	-	354,857	1,447,801
0041 General Administration	1,483,369	-	17,768	1,501,137
0051 Facilities Maintenance and Operations	5,201,415	-	-	5,201,415
0052 Security and Monitoring Services	319,067	-	-	319,067
0053 Data Processing Services	543,470	-	-	543,470
0061 Community Services	-	-	37,475	37,475
<b>Debt Service:</b>				
0071 Principal on Long Term Debt	-	7,215,000	-	7,215,000
0072 Interest on Long Term Debt	-	1,784,850	-	1,784,850
0073 Bond Issuance Cost and Fees	-	4,850	-	4,850
<b>Capital Outlay:</b>				
0081 Facilities Acquisition and Construction	-	-	269,287	269,287
6030 Total Expenditures	<u>41,919,668</u>	<u>9,004,700</u>	<u>6,791,261</u>	<u>57,715,629</u>
1200 Net Change in Fund Balances	307,143	306,148	(20,530)	592,761
0100 Fund Balance - September 1 (Beginning)	<u>17,223,774</u>	<u>1,293,205</u>	<u>1,286,015</u>	<u>19,802,994</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 17,530,917</u>	<u>\$ 1,599,353</u>	<u>\$ 1,265,485</u>	<u>\$ 20,395,755</u>

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

## ENNIS ISD

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2014

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	592,761
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.		18,179
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2013-2014 capital outlays and debt principal payments is to decrease net position.		(704,243)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(4,806,125)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		(146,685)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>(5,046,113)</b>

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

PROPRIETARY FUNDS

ENNIS ISD  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2014

EXHIBIT D-1

	Governmental Activities -	
		Internal Service Fund
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 15,577	
Due from Other Funds		9,674
Total Assets		25,251
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable		4,920
Accrued Wages Payable		1,053
Accrued Expenses		49
Total Liabilities		6,022
<b>NET POSITION</b>		
Unrestricted Net Position		19,229
Total Net Position	\$	19,229

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

ENNIS ISD  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 111,352
Total Operating Revenues	111,352
OPERATING EXPENSES:	
Payroll Costs	47,537
Professional and Contracted Services	22,461
Supplies and Materials	23,092
Other Operating Costs	83
Total Operating Expenses	93,173
Operating Income	18,179
Total Net Position - September 1 (Beginning)	1,050
Total Net Position - August 31 (Ending)	\$ 19,229

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

ENNIS ISD  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 101,677
Cash Payments to Employees for Services	(47,659)
Cash Payments for Suppliers	(18,172)
Cash Payments for Other Operating Expenses	(22,544)
Net Cash Provided by Operating Activities	<u>13,302</u>
Net Increase in Cash and Cash Equivalents	13,302
Cash and Cash Equivalents at Beginning of Year	<u>2,275</u>
Cash and Cash Equivalents at End of Year	<u>\$ 15,577</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 18,179
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Due from Other Funds	(9,675)
Increase (decrease) in Accrued Wages Payable	(122)
Increase (decrease) in Accrued Expenses	4,920
Net Cash Provided by Operating Activities	<u>\$ 13,302</u>

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

FIDUCIARY FUND (AND SIMILAR COMPONENT UNITS)  
FINANCIAL STATEMENTS

ENNIS ISD  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2014

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	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 200,658
Total Assets	<u>\$ 200,658</u>
LIABILITIES	
Due to Student Groups	\$ 200,658
Total Liabilities	<u>\$ 200,658</u>

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

# ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
Year Ended August 31, 2014

## I. Summary of Significant Accounting Policies

### A. Reporting Entity

The Board of School Trustees, a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Ennis Independent School District (the "District"). Because members of the Board of Trustees are elected by the public, they have the authority to make decisions, appoint administrators and managers, significantly influence operations, and have the primary accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

Since the District receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

### B. Government-wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Ennis Independent School District non-fiduciary activities with most of the inter-fund activities removed. Governmental activities include programs supported primarily by taxes, state foundation funds, grants, and other intergovernmental revenues. Business-type activities include operations that rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "Charges for Services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "Grants and Contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Inter-fund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All inter-fund transactions between governmental funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

## ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements  
Year Ended August 31, 2014

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

The proprietary fund types and fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

### D. Fund Accounting

The District reports the following major governmental funds:

The General Fund - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the District reports the following fund types:

Governmental Funds:

1. Special Revenue Funds - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. Debt Service Funds - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. Capital Projects Funds - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.
4. Permanent Funds - The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no permanent funds.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements  
Year Ended August 31, 2014

E. Other Accounting Policies, continued

3. 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.

In the fund financial statements, governmental fund types recognized 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.

4. Capital assets, which include land, buildings, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Buses	15
Office Equipment	7
Vehicles	5
Computer Equipment	3

5. In the Government-Wide Financial Statements net assets on the Statement of Net Assets include the following:

Invested in Capital Assets, Net of Related Debt -- the component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt net of premiums and discounts, excluding unspent

**ENNIS INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements  
Year Ended August 31, 2014

E. Other Accounting Policies, continued

Assigned -- includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. Fund balance can be assigned by the District's Board, the Superintendent, or the Assistant Superintendent of Finance. This classification includes insurance deductibles, encumbrances, program start-up costs, projected budget deficit for subsequent years and other legal uses.

Unassigned -- includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

6. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.
7. The Data Control Codes refer to the account code structure prescribed by Texas Education Agency (the "TEA") in the *Financial Accountability System Resource Guide* (the "Resource Guide"). The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.
8. The Resource Guide provides that Texas school districts record net tax levies initially as deferred revenue and convert those deferrals to realized revenue when the taxes are collected. The District had the following deferred revenues for major funds (reported on the Balance Sheet as Unearned and Unavailable Revenues) at August 31, 2014:

	<u>General Fund</u>	<u>Debt Service</u>
General Fund Debt Service		
From Property Taxes	\$ 1,161,892	\$ 558,602
Other Deferred Revenue:		
Foundation Aid	<u>629,490</u>	<u>11,860</u>
Total Deferred Revenues	\$ <u>1,791,382</u>	\$ <u>570,462</u>

9. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31 and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. This year all encumbrances were paid and none carried over to following year.
10. In accordance with Texas Education Code, Chapter 44, subchapter A, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses the code structure presented in the Accounting Code of the Resource Guide. Mandatory codes are recorded in the order provided in that section.

**ENNIS INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements  
Year Ended August 31, 2014

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities, continued**

	<u>Amount</u>	<u>(Exhibit C-4) Adjustments to Changes in Net Position</u>	<u>(Exhibit C-2) Adjustments to Net Position</u>
Current year capital outlay			
Buildings & improvements	\$ -		
Vehicles	211,050		
Equipment	<u>47,457</u>		
Total capital outlay	258,507	\$ 258,507	\$ 258,507
Bond principal payments	7,215,000	7,215,000	7,215,000
Accretion of interest	(8,177,750)	<u>(8,177,750)</u>	<u>(8,177,750)</u>
Adjustment to net position		<u>\$ (704,243)</u>	<u>\$ (704,243)</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>(Exhibit C-4) Adjustments to Changes in Net Position</u>	<u>(Exhibit C-2) Adjustments to Net Position</u>
Adjustments to revenue and deferred revenue			
Taxes collected from prior year levies	\$ 435,639	\$ 435,639	
Reversal of prior year entry	(651,869)	(651,869)	
Uncollected taxes (assumed collectible) from current year levy	435,639		\$ 435,639
Uncollected taxes (assumed collectible) from prior year levy	1,284,855		1,284,855
Miscellaneous net charges from refunding transactions	69,545	<u>69,545</u>	<u>69,545</u>
Total		<u>\$ (146,685)</u>	<u>\$ 1,790,039</u>

**III. Stewardship, Compliance, and Accountability**

**A. Budgetary Data**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-4 and J-5.

## ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements  
Year Ended August 31, 2014

### V. Detailed Notes on All Funds and Account Groups

#### A. Deposits, Securities 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 - The District's cash deposits at August 31, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in District's name. The deposits were collateralized in accordance with Texas Law, and the Texas Education Agency maintains copies of all safekeeping receipts in the name of the District.
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 investments 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. The entire balance on the date of highest deposit should be either collateralized with securities held by the District's agent or covered by FDIC insurance. Thus, the District's deposits should not be exposed to custodial credit risk. The following is disclosed regarding coverage of cash deposit balances on the date of highest deposit:

**ENNIS INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements  
Year Ended August 31, 2014

A. Deposits, Securities and Investments – continued

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 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 rules 2a7 of the Investment Company Act of 1940.

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

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Tex pool	\$6,121,851	\$ 6,121,851
MBIA investment pool	8,471,339	8,471,339
Certificates of deposit	<u>7,902,600</u>	<u>7,902,600</u>
Total investments	\$ <u>22,495,790</u>	\$ <u>22,495,790</u>

B. Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during a 60 day period after the close of the school fiscal year.

C. Delinquent Taxes Receivable

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 upon historical experience in collecting property 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.

**ENNIS INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements  
Year Ended August 31, 2014

**F. Changes in General Fixed Assets - continued**

\* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 3,677,237
School leadership	130,205
Guidance, counseling and Evaluation services	9,797
Student transportation	165,736
Food services	265,733
Co-curricular activities	398,971
General administration	110,310
Plant maintenance and operations	<u>48,136</u>
Total depreciation expense	<u>\$ 4,806,125</u>

**G. Bonds**

Ennis Independent School 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 Ennis Independent School District.

Long-term liability activity for the year ended August 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds payable:					
General obligation debt	\$146,096,840	\$ -	\$ (6,144,938)	\$139,951,902	\$ 6,135,080
Accreted interest	<u>56,061,042</u>	<u>8,177,750</u>	<u>(1,070,062)</u>	<u>63,168,730</u>	<u>1,244,920</u>
Total	<u>\$202,157,882</u>	<u>\$ 8,177,750</u>	<u>\$ (7,215,000)</u>	<u>\$203,120,632</u>	<u>\$ 7,380,000</u>

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Effective interest rates on the bonds range from .69% to 5.88%.

Presented below is a summary of general obligation bond payment requirements to maturity:

<u>Year ended August 31,</u>	<u>General Obligation</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 6,135,080	\$ 2,863,170	\$ 8,999,850
2016	5,950,226	4,617,824	10,568,050
2017	6,743,847	5,274,403	12,018,250
2018	6,989,378	5,593,872	12,583,250
2019	7,260,163	5,914,837	13,175,000
2020-2024	40,121,777	35,726,223	75,848,000
2025-2029	26,181,136	56,498,854	82,679,990
2030-2034	22,427,113	61,097,887	83,525,000
2035-2039	16,318,182	59,341,818	75,660,000
2040	<u>1,825,000</u>	<u>6,835,000</u>	<u>8,660,000</u>
Total	<u>\$139,951,902</u>	<u>\$ 243,763,888</u>	<u>\$383,715,790</u>

## ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements  
Year Ended August 31, 2014

### J. Pension Plan Obligations – continued

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 6.0% of the District's covered payroll. The District's employee's contributions to the System for the years ending August 31, 2014 and 2013 were \$1,910,628 and \$1,860,174, 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 year ending August 31, 2014 and 2013 were \$456,185 and \$404,952, respectively, equal to the required contributions for each year.

### K. Teacher Employee Recruitment and Retention Program (TERRP)

Plan Description – Ennis Independent School District contributes to the Teacher Employee Recruitment and Retention Program Plan. The Plan is a defined contribution retirement plan and is completely funded by the employer. The Plan's annual financial report and other required disclosure information are available by writing the record keeper: JEM Resource Partners, 4201 Bee Caves Rd C-101, Austin, TX 78746.

Funding Policy – Under the plan provisions, the District contributes as a base match the lesser of 50% of an Employee's contribution to a 403(b) or 457 or 2% of the Employee's base salary if the Employee has less than 8 absences. In addition to the base match, Employees are eligible for an attendance match. An Employee with zero absences will receive an attendance match of the lesser 50% of the Employee's contribution to a 403(b) or 457 plan or 2% of the Employee's base salary. An Employee with less than three absences will receive an attendance match of 25% of the Employee's contribution to a 403(b) or 457 plan up to 1% of the Employee's base salary. District contributions for the years ending August 31, 2014 and 2013 were \$232,695 and \$351,419. Plan members are 100% vested after five years of employment, 75% vested after four years of employment, and 50% vested after three years of employment. Plan members are not vested in years one or two. The vesting schedule is waived and Participants become fully vested in their account balance for the following reasons:

Retirement (must qualify for TRS benefit), total disability (as defined by TRS) or death.

BUDGETARY COMPARISON REPORTING

ENNIS ISD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 18,658,351	\$ 19,002,792	\$ 19,048,947	\$ 46,155
5800	State Program Revenues	23,483,154	23,393,389	22,783,336	(610,053)
5900	Federal Program Revenues	250,000	381,437	394,528	13,091
5020	Total Revenues	42,391,505	42,777,618	42,226,811	(550,807)
EXPENDITURES:					
Current:					
0011	Instruction	26,110,059	25,723,449	25,500,150	223,299
0012	Instructional Resources and Media Services	879,814	832,850	810,123	22,727
0013	Curriculum and Instructional Staff Development	594,310	578,356	533,171	45,185
0021	Instructional Leadership	501,580	496,964	496,803	161
0023	School Leadership	2,382,269	2,366,370	2,328,205	38,165
0031	Guidance, Counseling and Evaluation Services	1,448,565	1,459,936	1,446,153	13,783
0032	Social Work Services	38,958	38,958	38,877	81
0033	Health Services	632,686	594,974	586,669	8,305
0034	Student (Pupil) Transportation	1,668,086	1,698,676	1,539,252	159,424
0036	Extracurricular Activities	1,127,942	1,124,552	1,092,944	31,608
0041	General Administration	1,695,478	1,527,692	1,483,369	44,323
0051	Facilities Maintenance and Operations	5,367,361	5,358,938	5,201,415	157,523
0052	Security and Monitoring Services	329,782	322,373	319,067	3,306
0053	Data Processing Services	611,562	562,211	543,470	18,741
6030	Total Expenditures	43,388,452	42,686,299	41,919,668	766,631
1200	Net Change in Fund Balances	(996,947)	91,319	307,143	215,824
0100	Fund Balance - September 1 (Beginning)	17,223,774	17,223,774	17,223,774	-
3000	Fund Balance - August 31 (Ending)	\$ 16,226,827	\$ 17,315,093	\$ 17,530,917	\$ 215,824

OTHER SUPPLEMENTARY INFORMATION

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	410 State Textbook Fund
\$ 47,676	\$ -	\$ 19,973	\$ 2,268	\$ 10,589	\$ -	\$ -	\$ -
-	-	915,699	-	-	-	-	-
-	-	66,893	-	4,557	23,152	-	448,868
-	-	57,837	-	-	-	-	-
<u>\$ 47,676</u>	<u>\$ -</u>	<u>\$ 1,060,402</u>	<u>\$ 2,268</u>	<u>\$ 15,146</u>	<u>\$ 23,152</u>	<u>\$ -</u>	<u>\$ 448,868</u>
\$ -	\$ -	\$ 227,466	\$ 2,268	\$ -	\$ -	\$ -	\$ 226,677
26,810	-	-	-	13,804	2,208	-	-
17,953	-	22,080	-	-	20,730	-	222,191
2,913	-	-	-	1,342	214	-	-
-	-	1,599	-	-	-	-	-
<u>47,676</u>	<u>-</u>	<u>251,145</u>	<u>2,268</u>	<u>15,146</u>	<u>23,152</u>	<u>-</u>	<u>448,868</u>
-	-	57,837	-	-	-	-	-
-	-	751,420	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>809,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 47,676</u>	<u>\$ -</u>	<u>\$ 1,060,402</u>	<u>\$ 2,268</u>	<u>\$ 15,146</u>	<u>\$ 23,152</u>	<u>\$ -</u>	<u>\$ 448,868</u>

699 Capital Projects 2006 Bond	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ (44,897)
382,617	505,930	1,817,974
-	-	580,081
-	-	57,837
<u>\$ 382,617</u>	<u>\$ 505,930</u>	<u>\$ 2,410,995</u>
\$ -	\$ -	\$ 458,429
-	-	89,555
269,287	269,287	587,281
-	-	8,646
-	-	1,599
<u>269,287</u>	<u>269,287</u>	<u>1,145,510</u>
-	-	57,837
-	-	751,420
113,330	236,643	236,643
-	-	219,585
<u>113,330</u>	<u>236,643</u>	<u>1,265,485</u>
<u>\$ 382,617</u>	<u>\$ 505,930</u>	<u>\$ 2,410,995</u>

224	225	240	244	255	263	289	410
IDEA - Part B Formula	IDEA - Part B Preschool	National Breakfast and Lunch Program	Career and Technical - Basic Grant	ESEA II,A Training and Recruiting	Title III, A English Lang. Acquisition	Other Federal Special Revenue Funds	State Textbook Fund
\$ -	\$ -	\$ 448,397	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	16,839	-	-	-	-	499,663
1,066,244	14,482	2,820,113	58,984	214,968	67,447	6,678	-
<u>1,066,244</u>	<u>14,482</u>	<u>3,285,349</u>	<u>58,984</u>	<u>214,968</u>	<u>67,447</u>	<u>6,678</u>	<u>499,663</u>
641,146	8,481	-	58,588	214,968	63,611	6,678	499,663
-	-	-	-	-	-	-	-
14,493	830	-	396	-	457	-	-
2,078	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
401,848	5,171	-	-	-	-	-	-
538	-	-	-	-	-	-	-
616	-	-	-	-	-	-	-
-	-	3,078,002	-	-	-	-	-
5,185	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
340	-	-	-	-	3,379	-	-
-	-	-	-	-	-	-	-
<u>1,066,244</u>	<u>14,482</u>	<u>3,078,002</u>	<u>58,984</u>	<u>214,968</u>	<u>67,447</u>	<u>6,678</u>	<u>499,663</u>
-	-	207,347	-	-	-	-	-
-	-	601,910	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 809,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

699 Capital Projects 2006 Bond	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 131	\$ 187	\$ 887,363
-	-	516,528
-	-	5,366,840
<u>131</u>	<u>187</u>	<u>6,770,731</u>
-	-	2,515,332
-	-	26
-	-	107,919
-	-	2,323
-	-	99
-	-	407,019
-	-	538
-	-	616
-	-	3,078,002
-	-	354,857
-	-	17,768
-	-	37,475
<u>269,287</u>	<u>269,287</u>	<u>269,287</u>
<u>269,287</u>	<u>269,287</u>	<u>6,791,261</u>
(269,156)	(269,100)	(20,530)
<u>382,486</u>	<u>505,743</u>	<u>1,286,015</u>
<u>\$ 113,330</u>	<u>\$ 236,643</u>	<u>\$ 1,265,485</u>

REQUIRED TEA SCHEDULES

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 601,725	\$ -	\$ 12,135	\$ 1,771	\$ (27,611)	\$ 560,208
60,566	-	3,567	437	(4,012)	52,550
62,597	-	4,414	758	(3,587)	53,838
69,675	-	5,981	2,148	(2,968)	58,578
97,863	-	10,743	4,545	(2,461)	80,114
109,844	-	16,835	7,608	319	85,720
122,712	-	21,252	10,217	2,982	94,225
254,416	-	99,356	47,767	3,054	110,347
567,356	-	266,997	128,364	17,280	189,275
-	27,076,564	17,975,047	8,641,849	(14,029)	445,639
<u>\$ 1,946,754</u>	<u>\$ 27,076,564</u>	<u>\$ 18,416,327</u>	<u>\$ 8,845,464</u>	<u>\$ (31,033)</u>	<u>\$ 1,730,494</u>

ENNIS ISD  
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2015-2016  
GENERAL AND SPECIAL REVENUE FUNDS  
AUGUST 31, 2014

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 197,202	\$ 728,352	\$ -	\$ -	\$ 925,554
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	55,900	-	-	-	55,900
6212	Audit Services	-	-	-	34,000	-	-	34,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	241,825	-	-	-	-	241,825
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	24,741	-	-	24,741
6240	Contr. Maint. and Repair	-	-	1,343	1,171	-	-	2,514
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	9,341	4,236	-	-	13,577
6290	Miscellaneous Contr.	-	-	12,410	27,478	-	-	39,888
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	5,204	43,001	-	-	48,205
6410	Travel, Subsistence, Stipends	3,813	-	2,242	11,086	-	-	17,141
6420	Ins. and Bonding Costs	15,616	-	-	-	-	-	15,616
6430	Election Costs	1,896	-	-	-	-	-	1,896
6490	Miscellaneous Operating	1,813	1,255	33,834	52,647	-	-	89,549
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 23,138	\$ 243,080	\$ 317,476	\$ 926,712	\$ -	\$ -	\$ 1,510,406

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 48,441,642

LESS: Deductions of Unallowable Costs

## FISCAL YEAR

Total Capital Outlay (6600)	(10) \$	264,041
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	5,166,866
Food (Function 35, 6341 and 6499)	(13)	1,604,211
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		926,712

SubTotal:

7,961,830

Net Allowed Direct Cost

\$ 40,479,812

## CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$	219,241,804
Historical Cost of Building over 50 years old	(16) \$	13,871,030
Amount of Federal Money in Building Cost (Net of #16)	(17) \$	-
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$	23,477,432
Historical Cost of Furniture & Equipment over 16 years old	(19) \$	5,490,869
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$	-

(8) NOTE A: \$9,269 in Function 53 expenditures are included in this report on administrative costs.

No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
GENERAL FUND AS OF AUGUST 31, 2014

**UNAUDITED**

1	Total General Fund Balance as of 8/31/14 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 17,530,917
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 85,503	
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)	6,492,647	
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.)	-	
7	Estimate of two month's average cash disbursements during the fiscal year.	6,986,612	
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>13,564,762</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u>\$ 3,966,155</u>

Explanation of need for and/or projected use of net positive Unassigned General Fund Fund Balance:

ENNIS ISD  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 489,812	\$ 430,439	\$ 448,397	\$ 17,958
5800	State Program Revenues	16,500	16,838	16,839	1
5900	Federal Program Revenues	2,438,146	2,712,780	2,820,113	107,333
5020	Total Revenues	2,944,458	3,160,057	3,285,349	125,292
EXPENDITURES:					
0035	Food Services	2,937,942	3,090,687	3,078,002	12,685
6030	Total Expenditures	2,937,942	3,090,687	3,078,002	12,685
1200	Net Change in Fund Balances	6,516	69,370	207,347	137,977
0100	Fund Balance - September 1 (Beginning)	601,910	601,910	601,910	-
3000	Fund Balance - August 31 (Ending)	\$ 608,426	\$ 671,280	\$ 809,257	\$ 137,977

ENNIS ISD  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 8,838,136	\$ 8,929,725	\$ 8,945,320	\$ 15,595
5800	State Program Revenues	445,185	412,453	365,528	(46,925)
5020	Total Revenues	9,283,321	9,342,178	9,310,848	(31,330)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	9,006,850	7,215,000	7,215,000	-
0072	Interest on Long Term Debt	-	1,784,850	1,784,850	-
0073	Bond Issuance Cost and Fees	-	5,350	4,850	500
6030	Total Expenditures	9,006,850	9,005,200	9,004,700	500
1200	Net Change in Fund Balances	276,471	336,978	306,148	(30,830)
0100	Fund Balance - September 1 (Beginning)	1,293,205	1,293,205	1,293,205	-
3000	Fund Balance - August 31 (Ending)	\$ 1,569,676	\$ 1,630,183	\$ 1,599,353	\$ (30,830)

FEDERAL AWARDS SECTION

**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  
Ennis Independent School District  
Ennis, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ennis Independent School District (the "District"), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise Ennis Independent School District's basic financial statements, and have issued our report thereon dated December 19, 2014.

**Internal Control over Financial Reporting**

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

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

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

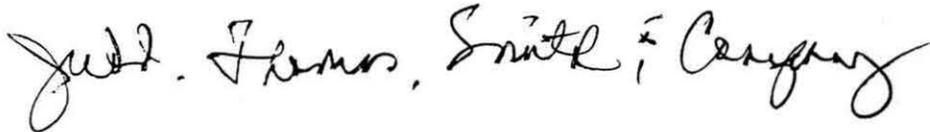
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

A handwritten signature in cursive script that reads "Judd James Smith & Company". The signature is written in black ink and is positioned above the typed location and date.

Dallas, Texas  
December 19, 2014



**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 School Trustees  
Ennis Independent School District  
Ennis, Texas

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

We have audited Ennis Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

## Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Judd Thomas, Smith & Company".

Dallas, Texas  
December 19, 2014

**ENNIS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

**I. Summary of the Auditors' Results:**

- a. The auditor's report expresses an unqualified opinion on the financial statements of Ennis Independent School District.
- b. No significant deficiencies relating to the audit of the financial statements are reported in the Annual Financial Report.
- c. No instances of noncompliance material to the financial statements of Ennis Independent School District were disclosed during the audit.
- d. No significant deficiencies relating to the audit of the major federal award programs are reported in the Annual Financial Report.
- e. The auditors' report on compliance for major programs expresses an unqualified opinion.
- f. The audit did not disclose any audit findings required to be reported upon. These include:
  - 1. Significant deficiencies in internal control over major programs. Identify significant deficiencies which are individually or cumulatively material weaknesses.
  - 2. Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program.
  - 3. For a type of compliance requirement for a major program, known questioned costs when likely questioned costs are greater than \$10,000.
  - 4. Known questioned costs greater than \$10,000 for a Federal program which is not audited as a major program.
  - 5. The circumstances concerning why the auditors' report on compliance for major programs is other than an unqualified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for Federal awards.
  - 6. Known fraud affecting a Federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards.
  - 7. Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding.
- g. The programs tested as major programs include:

ESEA, Title I, Part A - Improving Basic Programs	84.010A
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- h. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
- i. The auditee qualified as a low-risk auditee.

**II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.**

There were no findings which are required to be reported in accordance with *Generally Accepted Government Auditing Standards*.

**III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f. above**

None

**ENNIS INDEPENDENT SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

There were no prior year audit findings.

ENNIS ISD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2014

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Pass Through Region 10 Education Service Center</u>			
ESEA, Title X, Part C -Homeless Children	84.196	146150057950	\$ 20,859
Title III, Part A - English Language Acquisition	84.365A	14671001057950	67,447
Total Pass Through Region 10 Education Service Center			\$ 88,306
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101070903	\$ 1,035,385
*IDEA - Part B, Formula	84.027	14660001079036000	1,066,244
*IDEA - Part B, Preschool	84.173	14661001079036000	14,482
Total Special Education Cluster (IDEA)			1,080,726
Career and Technical - Basic Grant	84.048	14420006070903	58,984
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501070903	214,968
Other Federally Funded Special Revenue Funds	84.369	69551202	6,678
Total Passed Through State Department of Education			\$ 2,396,741
<b>TOTAL DEPARTMENT OF EDUCATION</b>			\$ 2,485,047
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	3282.63	\$ 61,680
Total Passed Through State Department of Education			\$ 61,680
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			\$ 61,680
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401201	\$ 868,317
*National School Lunch Program - Cash Assistance	10.555	71301201	1,758,611
*National School Lunch Prog. - Non-Cash Assistance	10.555		193,185
Total CFDA Number 10.555			1,951,796
Total Child Nutrition Cluster			2,820,113
Child and Adult Care Food Program	10.558		58,756
Total Passed Through the State Department of Agriculture			\$ 2,878,869
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			\$ 2,878,869
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 5,425,596

\*Clustered Programs

## ENNIS INDEPENDENT SCHOOL DISTRICT

### Notes on Accounting Policies for Federal Awards Year Ended August 31, 2014

1. The District utilizes the fund types specified in the Resource Guide.

Special Revenue Funds - are used to account for resources restricted to, or designed 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 and Expendable Trust Fund are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the Special Revenue Fund, a component of the Governmental Fund type. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund Types, the Expendable Trust Fund, 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 General 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 period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H. Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement – Provisional 6/97.
4. Reconciliation of Federal Program Revenues and Schedule of Expenditures of Federal Awards:

Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	\$ 5,425,596
SHARS revenue	<u>335,772</u>
Total federal program revenues per the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (Exhibit C-3)	<u>\$ 5,761,368</u>