

ENNIS INDEPENDENT SCHOOL DISTRICT

**ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2012**

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 _____
(check one)

ended August 31, 2012 at a meeting of the Board of Trustees of such school district on the 15th day of January, 2013.


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
303 West Knox Street
Ennis, TX 75119

Members of the Board:

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

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

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, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv through viii and 44 through 45 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

35 Years and Accounting
1976 - 2011

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.

Our audit was conducted for the purpose of forming an opinion 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.

Judd, Thomas, Smith & Company

Dallas, Texas
December 21, 2012

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, 2012. 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 Assets 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 condition and operations is illustrated on Exhibit A-1 on the Statement of Net Assets, 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 Assets 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 assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one

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

The Statement of Net Assets and the Statement of Activities are comprised of the following activities:

- **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.

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 Proprietary-type funds), which apply the following accounting approach:

- **Governmental 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 Assets 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 Net Assets – Proprietary Funds on page 7. 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 assets (Table I) and changes in net assets (Table II) of the District's governmental-type activities; both tables can be found on page viii of this analysis.

As indicated earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$6,836,330 at August 31, 2012, compared to \$109,264 at August 31, 2011. Net assets are made up of three major components: invested in capital assets net of related debt, restricted, and unrestricted. As seen on page viii of this analysis, restricted net assets decreased approximately \$650,000 and unrestricted net assets increased approximately \$560,000. The primary decrease in total net assets is a result of net assets invested in capital assets net of related debt decreasing approximately \$6.6 million from the prior year. The combination of these three elements resulted in the approximately \$6.7 million overall decrease in net assets.

The major factors contributing to the decrease in net assets 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 assets.

Listed below is a detail of the changes in net assets invested in capital assets net of related debt:

Beginning balance	\$	(21,026,309)
Accreted interest, net		(7,049,858)
Depreciation expense		(7,152,455)
Capital asset additions		738,823
Repayment of debt		6,826,251
Ending balance	\$	<u>(27,663,548)</u>

The negative balance in net assets invested in capital assets net of related debt 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).

After the removal of all current year expenditures which do not result in a current year use of cash resources, the District generated approximately \$10.4 million from operating activities. This was used for the repayment of the current year debt obligations of \$7,430,000 and the purchase of new capital assets totaling \$738,823. The District recognized an increase of \$2,228,683 in cash and investments resulting in an ending balance of \$20,362,510 which approximates the total of restricted and unrestricted net assets.

The District's total revenues decreased by 4.7% percent, approximately \$2.8 million. A significant portion, 47%, of the District's revenues comes from taxes. Tax collections and total tax levy increased approximately 1.6% from prior year. State revenues decreased by approximately 7% and federal revenues decreased approximately 8%. Investment earnings increased slightly as a higher percentage of cash reserves are kept in investment funds over last year.

The total cost of all governmental activities, including accreted interest and depreciation expense, for the current year was \$63,013,430. This is down approximately \$2.7 million 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 assets was only \$34.1 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 \$18,893,735, as compared to the year ending August 31, 2011 fund balance of \$18,818,779. The \$74,956 increase in fund balance results from \$898,494 increase in the fund balance of the General Fund offset by a decrease in other governmental funds of \$823,538. Primary sources of decreases were approximately \$220,000 and \$620,000 used in debt service and capital projects, respectively.

The District's General Fund balance of \$16,751,838 reported on page 5 differs from the General Fund's budgetary fund balance of \$15,303,943 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 2012, the District had approximately \$173 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 IV, Section F of the Notes to the Financial Statements.

Debt

At year-end, the District had \$152,105,050 in bond principal outstanding versus \$158,931,301 last year. Additional information on debt can be found in Note IV, 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 2013 budget and tax rates. One of those factors is the appraised property value which increased approximately .1% from 2012 appraised values. The District's 2012-2013 refined average daily attendance ("ADA") is expected to remain steady or slightly decrease just as the 2011-2012 ADA remained steady. The District prepared its budget based on actual results from 2011-2012 with no increase.

These factors as well as others were taken into account when adopting the General Fund budget for 2013. Amounts available for appropriation in the General Fund budget are approximately \$42 million. The District will use its revenues to finance programs we currently offer as well as the District is implementing CSCOPE into its curriculum in 2012-2013. This is a curriculum management tool used by approximately 80% of the state. 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 2013 by approximately \$1 million.

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 Assets

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
Current and other assets	\$ 23,937,413	\$ 23,661,202
Capital assets, net	173,197,060	179,610,692
Total assets	<u>197,134,473</u>	<u>203,271,894</u>
Long-term liabilities	192,795,608	193,207,001
Other liabilities	11,175,195	10,174,157
Total liabilities	<u>203,970,803</u>	<u>203,381,158</u>
Net Assets:		
Invested in capital assets net of related debt	(27,663,548)	(21,026,309)
Restricted	2,127,414	2,782,985
Unrestricted	18,699,804	18,134,060
Total net assets	<u>\$ (6,836,330)</u>	<u>\$ (109,264)</u>

Table II
Changes in Net Assets

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
Operating grants and contributions	9,164,983	10,327,621
General revenues:		
Maintenance and operations taxes	17,843,107	17,571,619
Debt service taxes	8,568,752	8,419,135
Grants and contributions not restricted to specific functions	19,743,441	21,180,319
Investment earnings	92,082	76,646
Miscellaneous	873,999	1,492,863
Total revenue	<u>56,286,364</u>	<u>59,068,203</u>
Expenses:		
11 Instruction	32,042,965	34,224,190
12 Instructional resources and media services	782,001	898,258
13 Curriculum and staff development	566,122	725,679
21 Instructional leadership	487,886	503,327
23 School leadership	2,420,154	2,453,379
31 Guidance, counseling and evaluation services	1,931,963	1,950,955
32 Social work services	30,284	38,622
33 Health services	566,207	611,473
34 Student (pupil) transportation	1,397,653	1,491,038
35 Food services	3,042,790	2,929,204
36 Cocurricular/extracurricular activities	1,759,187	1,719,157
41 General administration	2,316,946	2,376,478
51 Plant maintenance and operations	4,887,635	4,991,962
52 Security and monitoring services	233,882	263,294
53 Data processing services	542,322	660,424
61 Community services	35,575	251,548
72 Debt service - Interest on long term debt	9,965,108	9,612,486
73 Debt service - Bond issuance cost and fees	4,750	6,000
81 Facilities acquisition and construction	-	-
93 Payments to fiscal agent/member districts of SSA	-	-
Total expenses	<u>63,013,430</u>	<u>65,707,474</u>
Increase (decrease) in net assets before transfers and special items	(6,727,066)	(6,639,271)
Transfers	-	-
Beginning net assets	(109,264)	12,102,506
Effect of Prior Period Adjustment	-	(5,572,499)
Ending net assets	<u>\$ (6,836,330)</u>	<u>\$ (109,264)</u>

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ENNIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2012

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 931,700
1120 Current Investments	19,430,810
1220 Property Taxes Receivable (Delinquent)	1,941,902
1230 Allowance for Uncollectible Taxes	(10,000)
1240 Due from Other Governments	1,452,750
1300 Inventories	61,949
1410 Deferred Expenses	128,302
Capital Assets:	
1510 Land	5,600,696
1520 Buildings, Net	164,521,341
1530 Furniture and Equipment, Net	2,793,432
1580 Construction in Progress	281,591
1000 Total Assets	197,134,473
LIABILITIES	
2110 Accounts Payable	402,741
2120 Short Term Debt Payable	8,065,000
2160 Accrued Wages Payable	1,256,569
2165 Accrued Liabilities	38
2180 Due to Other Governments	820,806
2200 Accrued Expenses	31,281
2300 Deferred Revenues	598,760
Noncurrent Liabilities	
2502 Due in More Than One Year	192,795,608
2000 Total Liabilities	203,970,803
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	(27,663,548)
3820 Restricted for Federal and State Programs	456,189
3850 Restricted for Debt Service	881,759
3860 Restricted for Capital Projects	599,215
3890 Restricted for Other Purposes	190,251
3900 Unrestricted Net Assets	18,699,804
3000 Total Net Assets	\$ (6,836,330)

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

ENNIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 32,042,965	\$ -	\$ 4,908,897	\$ (27,134,068)
12 Instructional Resources and Media Services	782,001	-	28,843	(753,158)
13 Curriculum and Staff Development	566,122	-	126,053	(440,069)
21 Instructional Leadership	487,886	-	34,320	(453,566)
23 School Leadership	2,420,154	-	106,799	(2,313,355)
31 Guidance, Counseling and Evaluation Services	1,931,963	-	516,173	(1,415,790)
32 Social Work Services	30,284	-	924	(29,360)
33 Health Services	566,207	-	49,956	(516,251)
34 Student (Pupil) Transportation	1,397,653	-	43,252	(1,354,401)
35 Food Services	3,042,790	-	2,793,690	(249,100)
36 Extracurricular Activities	1,759,187	-	315,016	(1,444,171)
41 General Administration	2,316,946	-	70,537	(2,246,409)
51 Facilities Maintenance and Operations	4,887,635	-	96,288	(4,791,347)
52 Security and Monitoring Services	233,882	-	11,088	(222,794)
53 Data Processing Services	542,322	-	27,572	(514,750)
61 Community Services	35,575	-	35,575	-
72 Debt Service - Interest on Long Term Debt	9,965,108	-	-	(9,965,108)
73 Debt Service - Bond Issuance Cost and Fees	4,750	-	-	(4,750)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 63,013,430</u>	<u>\$ -</u>	<u>\$ 9,164,983</u>	<u>(53,848,447)</u>

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		17,843,107
DT	Property Taxes, Levied for Debt Service		8,568,752
GC	Grants and Contributions not Restricted		19,743,441
IE	Investment Earnings		92,082
MI	Miscellaneous Local and Intermediate Revenue		873,999
TR	Total General Revenues		<u>47,121,381</u>
CN	Change in Net Assets		(6,727,066)
NB	Net Assets--Beginning		(109,264)
NE	Net Assets--Ending		<u>\$ (6,836,330)</u>

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

ENNIS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2012

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 1,068,727	\$ 50	\$ (139,218)	\$ 929,559
1120	Investments - Current	16,998,821	972,911	1,459,078	19,430,810
1220	Property Taxes - Delinquent	1,311,414	630,488	-	1,941,902
1230	Allowance for Uncollectible Taxes (Credit)	(6,753)	(3,247)	-	(10,000)
1240	Receivables from Other Governments	628,625	51,419	772,706	1,452,750
1260	Due from Other Funds	635,285	-	-	635,285
1300	Inventories	-	-	61,949	61,949
1410	Deferred Expenditures	128,302	-	-	128,302
1000	Total Assets	<u>\$ 20,764,421</u>	<u>\$ 1,651,621</u>	<u>\$ 2,154,515</u>	<u>\$ 24,570,557</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 236,709	\$ -	\$ 166,032	\$ 402,741
2160	Accrued Wages Payable	1,171,512	-	84,535	1,256,047
2170	Due to Other Funds	-	-	635,285	635,285
2180	Due to Other Governments	692,684	128,122	-	820,806
2200	Accrued Expenditures	24,355	-	6,926	31,281
2300	Deferred Revenues	1,887,323	641,740	1,599	2,530,662
2000	Total Liabilities	<u>4,012,583</u>	<u>769,862</u>	<u>894,377</u>	<u>5,676,822</u>
Fund Balances:					
Nonspendable Fund Balance:					
3430	Prepaid Items	128,302	-	-	128,302
3445	Other Non-Spendable Fund Balance	-	-	61,949	61,949
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	456,189	456,189
3470	Capital Acquisition and Contractual Obligation	-	-	599,215	599,215
3480	Retirement of Long-Term Debt	-	881,759	-	881,759
Committed Fund Balance:					
3510	Construction	6,492,647	-	-	6,492,647
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	142,785	142,785
3600	Unassigned Fund Balance	10,130,889	-	-	10,130,889
3000	Total Fund Balances	<u>16,751,838</u>	<u>881,759</u>	<u>1,260,138</u>	<u>18,893,735</u>
4000	Total Liabilities and Fund Balances	<u>\$ 20,764,421</u>	<u>\$ 1,651,621</u>	<u>\$ 2,154,515</u>	<u>\$ 24,570,557</u>

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

ENNIS INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 AUGUST 31, 2012

Total Fund Balances - Governmental Funds	\$	18,893,735
<hr/>		
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 assets. The net effect of this consolidation is to increase net assets.		1,581
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 \$246,888,957 and the accumulated depreciation was \$67,278,265. 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 assets.		(21,026,309)
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 2012 capital outlays and debt principal payments is to increase net assets.		515,216
4 The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(7,152,455)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue 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 assets.		1,931,902
19 Net Assets of Governmental Activities	\$	<u>(6,836,330)</u>

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 18,613,193	\$ 8,764,283	\$ 866,129	\$ 28,243,605
5800 State Program Revenues	20,823,050	590,826	494,502	21,908,378
5900 Federal Program Revenues	-	-	6,193,135	6,193,135
5020 Total Revenues	<u>39,436,243</u>	<u>9,355,109</u>	<u>7,553,766</u>	<u>56,345,118</u>
EXPENDITURES:				
Current:				
0011 Instruction	22,737,091	-	3,781,400	26,518,491
0012 Instructional Resources and Media Services	782,001	-	-	782,001
0013 Curriculum and Instructional Staff Development	457,182	-	108,940	566,122
0021 Instructional Leadership	476,809	-	11,077	487,886
0023 School Leadership	2,282,845	-	303	2,283,148
0031 Guidance, Counseling and Evaluation Services	1,504,039	-	448,944	1,952,983
0032 Social Work Services	30,284	-	-	30,284
0033 Health Services	539,082	-	24,205	563,287
0034 Student (Pupil) Transportation	1,390,974	-	77	1,391,051
0035 Food Services	-	-	2,778,593	2,778,593
0036 Extracurricular Activities	1,055,949	-	327,767	1,383,716
0041 General Administration	1,627,271	-	17,331	1,644,602
0051 Facilities Maintenance and Operations	4,878,018	-	-	4,878,018
0052 Security and Monitoring Services	233,882	-	-	233,882
0053 Data Processing Services	542,322	-	-	542,322
0061 Community Services	-	-	35,575	35,575
Debt Service:				
0071 Principal on Long Term Debt	-	6,826,251	-	6,826,251
0072 Interest on Long Term Debt	-	2,743,799	171,451	2,915,250
0073 Bond Issuance Cost and Fees	-	4,750	-	4,750
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	451,950	451,950
6030 Total Expenditures	<u>38,537,749</u>	<u>9,574,800</u>	<u>8,157,613</u>	<u>56,270,162</u>
1200 Net Change in Fund Balances	898,494	(219,691)	(603,847)	74,956
0100 Fund Balance - September 1 (Beginning)	<u>15,853,344</u>	<u>1,101,450</u>	<u>1,863,985</u>	<u>18,818,779</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 16,751,838</u>	<u>\$ 881,759</u>	<u>\$ 1,260,138</u>	<u>\$ 18,893,735</u>

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

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

Total Net Change in Fund Balances - Governmental Funds	\$	74,956
 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 assets.		9,545
 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 2012 capital outlays and debt principal payments is to increase net assets.		515,216
 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 assets.		(7,152,455)
 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue 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 decrease net assets.		(174,328)
 Change in Net Assets of Governmental Activities	\$	(6,727,066)

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

PROPRIETARY FUNDS

ENNIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2012

EXHIBIT D-1

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,141
Total Assets	2,141
LIABILITIES	
Current Liabilities:	
Accrued Wages Payable	522
Accrued Expenses	38
Total Liabilities	560
NET ASSETS	
Unrestricted Net Assets	1,581
Total Net Assets	\$ 1,581

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

ENNIS INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 115,574
Total Operating Revenues	115,574
OPERATING EXPENSES:	
Payroll Costs	70,113
Supplies and Materials	35,916
Total Operating Expenses	106,029
Operating Income	9,545
Total Net Assets - September 1 (Beginning)	(7,964)
 Total Net Assets - August 31 (Ending)	 \$ 1,581

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

ENNIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 115,574
Cash Payments to Employees for Services	(72,165)
Cash Payments for Suppliers	(35,959)
Cash Payments for Other Operating Expenses	(5,309)
Net Cash Provided by Operating Activities	<u>2,141</u>
Net Increase in Cash and Cash Equivalents	2,141
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	<u>\$ 2,141</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 9,545
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accrued Wages Payable	(2,052)
Increase (decrease) in Due to Other Funds	(5,309)
Increase (decrease) in Accrued Expenses	(43)
Net Cash Provided by Operating Activities	<u>\$ 2,141</u>

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

FIDUCIARY FUND (AND SIMILAR COMPONENT UNITS)
FINANCIAL STATEMENTS

ENNIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2012

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 186,360
Total Assets	<u>\$ 186,360</u>
LIABILITIES	
Due to Student Groups	\$ 186,360
Total Liabilities	<u>\$ 186,360</u>

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

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2012

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; have the authority to make decisions, appoint administrators and managers, and 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 Assets 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, 2012

B. Government-wide and Fund Financial Statements, continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2012

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 Assets. 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, 2012

D. Fund Accounting, continued

Proprietary Funds:

5. Enterprise Funds - The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has no enterprise fund.
6. Internal Service Funds - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District has one internal service fund for printing.

Fiduciary Funds:

7. Private Purpose Trust Funds - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District has no private purpose trust funds.
8. Pension (and Other Employee Benefit) Trust Funds - These funds are used to account for local pension and other employee benefit funds that are provided by the District, in lieu of or in addition to, the Teacher Retirement System of Texas. The District has no pension trust funds.
9. Investment Trust Fund - This fund is one in which the District holds assets in trust for other entities participating in an investment program managed by the district. The District has no investment trust funds.
10. Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds.

E. Other Accounting Policies

1. For purposes of the Statement of Cash Flows for proprietary and similar fund types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. Supplies are recorded as expenditures when they are purchased. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2012

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, 2012

E. Other Accounting Policies, continued

proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted -- the component of net assets that reports the difference between assets and liabilities with constraints placed on their use by law for Federal and State Programs, Debt Service, Capital Projects.

Unrestricted -- the difference between the assets and liabilities that is not reported in Net Assets Invested in Capital Assets, Net of Related Debt, Net Assets Restricted for Food Service or Net Assets Restricted for Debt Service.

In the Governmental Fund Financial Statements the District has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

In accordance with GASB 54, the District classifies governmental fund balances as follows:

Nonspendable -- includes amounts that cannot be spent because they are either not spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes prepaid items.

Restricted -- includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes the child nutrition program, retirement of long term debt, construction programs and other federal and state grants.

Committed -- includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the District's Board of Trustees. This classification includes campus activity funds, local special revenue funds and potential litigation, claims and judgments.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2012

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 TEA in the **Financial Accountability System Resource Guide**. Texas Education Agency 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 at August 31, 2012:

	<u>General Fund</u>	<u>Debt Service</u>
General Fund/Debt Service		
From Property Taxes	\$ 1,304,661	\$ 627,241
Other Deferred Revenue:		
Foundation Aid	551,549	14,499
Football Ticket Sales	<u>31,113</u>	<u>-</u>
Total Deferred Revenues	\$ <u>1,887,323</u>	\$ <u>641,740</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, 2012

II. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.

The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Assets</u>
Land	\$ 5,600,696	\$ -	\$ 5,600,696	
Buildings	218,617,640	(50,104,758)	168,512,882	
Vehicles & equipment	22,607,392	(17,173,507)	5,433,885	
Construction in process	<u>63,229</u>	<u>-</u>	<u>63,229</u>	
Change in Net Assets				\$ 179,610,692
<u>Long-term Liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			<u>(200,637,001)</u>	
Change in Net Assets				<u>(200,637,001)</u>
Net Adjustment to Net Assets				\$ <u>(21,026,309)</u>

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

Exhibit C-4 provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2012

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>	(Exhibit C-4) Adjustments to <u>Changes in Net</u> <u>Assets</u>	(Exhibit C-2) Adjustments to <u>Net Assets</u>
Current Year Capital Outlay			
Buildings & Improvements	\$ 248,473		
Construction in progress	218,362		
Vehicles	174,045		
Equipment	<u>97,943</u>		
Total Capital Outlay	738,823	\$ 738,823	\$ 738,823
Bond principal payments	6,826,251	6,826,251	6,826,251
Accretion of interest	(7,049,858)	<u>(7,049,858)</u>	<u>(7,049,858)</u>
Adjustment to Net Assets		\$ <u>515,216</u>	\$ <u>515,216</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>	(Exhibit C-4) Adjustments to <u>Changes in Net Assets</u>	(Exhibit C-2) Adjustments to <u>Net Assets</u>
Adjustments to Revenue and Deferred Revenue			
Taxes Collected from Prior Year Levies	\$ 467,648	\$ 467,648	
Reversal of prior year entry	641,976	(641,976)	
Uncollected taxes (assumed collectible) from Current Year Levy	457,648		\$ 457,648
Uncollected taxes (assumed collectible) from Prior Year Levy	1,474,254	<u>-</u>	<u>1,474,254</u>
Total		\$ <u>(174,328)</u>	\$ <u>1,931,902</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, 2012

A. Budgetary Data, continued

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

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

IV. 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, 2012, 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. Deposits were properly secured at all times.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2012

A. Deposits, Securities and Investments – continued

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 was either collateralized with securities held by the District's agent or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk. The following is disclosed regarding coverage of cash deposit balances on the date of highest deposit:
 1. Name of the bank: Bank of America - Ennis, TX
 2. The largest combined balances of cash, savings, and time deposits accounts amounted to \$7,568,539 and occurred during the month of September 2011.

- b. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At August 31, 2012, the District held investments in bank certificates of deposit and in public fund investment pools. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The District's investments in certificates of deposit are with the District's depository bank and are collateralized with securities held by the District's agent.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2012

A. Deposits, Securities and Investments - continued

- c. **Credit Risk:** This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The District invests only in investment pools that are rated AAA or AAAM and certificates of deposit. The credit quality rating for TexPool Investment Pool at year-end was AAAM (Standard & Poor's). The credit quality rating for MBIA Texas CLASS at year-end was AAAM (Standard & Poor's).
- d. **Interest Rate Risk:** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The maturity date of the certificates of deposit ranged from 12 months to 18 months at the time of purchase. The weighted average maturity for the District's investment in external investment pools is less than 60 days.
- e. **Foreign Currency Risk:** This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2012, the District was not exposed to foreign currency risk.
- f. **Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. The District invests only in investment pools and certificates of deposit at the District's depository bank, which are collateralized by securities held by the District's agent. Investment pools are excluded from the 5 percent disclosure requirement. Investments in certificates of deposit with Citizen's National Bank represented 15.56 percent of total investments.

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.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2012

A. Deposits, Securities and Investments – continued

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

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Category</u>
Tex Pool	\$ 4,342,266	\$ 4,342,266	2
MBIA Investment Pool	9,720,811	9,720,811	2
Certificates of deposit	<u>5,367,733</u>	<u>5,367,733</u>	2
Total investments	\$ <u>19,430,810</u>	\$ <u>19,430,810</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 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.

D. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2012 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Non Grant</u>	<u>Total</u>
General	\$ 551,549	\$ -	\$ 77,076	\$ 628,625
Special Revenue	-	772,706	-	772,706
Debt Service Funds	<u>14,499</u>	<u>-</u>	<u>36,920</u>	<u>51,419</u>
Total	\$ <u>566,048</u>	\$ <u>772,706</u>	\$ <u>113,996</u>	\$ <u>1,452,750</u>

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2012

E. Inter-fund Receivables and Payables

Inter-fund balances at August 31, 2012 consisted of the following individual fund balances:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Funds:		
Special Revenue Funds	\$ 635,285	\$ -
Special Revenue Fund		
General Fund	-	<u>635,285</u>
Total	<u>\$ 635,285</u>	<u>\$ 635,285</u>

F. Changes in General Fixed Assets

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclass/ Retirement</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 5,600,696	\$ -	\$ -	\$ 5,600,696
Buildings and improvements	218,617,640	248,473	-	218,866,113
Vehicles	3,864,627	174,045	-	4,038,672
Equipment	18,742,765	97,943	-	18,840,708
Construction in process	63,229	218,362	-	281,591
Total	<u>\$246,888,957</u>	<u>\$ 738,823</u>	<u>\$ -</u>	<u>\$247,627,780</u>
Less accumulated depreciation for:				
Buildings and improvements	(50,104,758)	(4,240,014)	-	(54,344,772)
Vehicles and equipment	(17,173,507)	(2,912,441)	-	(20,085,947)
Total accumulated depreciation	<u>(67,278,265)</u>	<u>(7,152,455) *</u>	<u>-</u>	<u>(74,430,720)</u>
Governmental activities capital assets, net	<u>\$ 179,610,692</u>	<u>\$ (6,413,632)</u>	<u>\$ -</u>	<u>\$ 173,197,060</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 5,589,442
School leadership	137,006
Guidance, counseling and Evaluation services	2,920
Student transportation	145,624
Food services	279,037
Co-curricular activities	387,471
General administration	566,315
Plant maintenance and operations	44,640
Total depreciation expense	<u>\$ 7,152,455</u>

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2012

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, 2012 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	\$158,931,301	\$ -	\$ (6,826,251)	\$152,105,050	\$ 6,841,050
Accreted interest	<u>41,705,700</u>	<u>7,653,607</u>	<u>(603,749)</u>	<u>48,755,558</u>	<u>1,223,950</u>
Total	<u>\$200,637,001</u>	<u>\$ 7,653,607</u>	<u>\$ (7,430,000)</u>	<u>\$200,860,608</u>	<u>\$ 8,065,000</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>	
2013	\$ 6,841,050	\$ 3,164,575	\$ 10,005,625
2014	7,178,451	3,286,399	10,464,850
2015	7,444,076	3,504,174	10,948,250
2016	6,529,877	4,948,173	11,478,050
2017	6,743,847	5,274,403	12,018,250
2018-2022	38,728,286	30,449,714	69,178,000
2023-2027	32,326,233	49,722,017	82,048,250
2028-2032	23,226,812	59,858,178	83,084,990
2033-2037	20,142,773	63,607,227	83,750,000
2038	<u>2,943,645</u>	<u>13,806,355</u>	<u>16,750,000</u>
Total	<u>\$152,105,050</u>	<u>\$ 237,621,215</u>	<u>\$389,726,265</u>

<u>Issue</u>	<u>Rate</u>	<u>Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Series 2001 Refunding Bonds	4.50%	2013	\$ 555,000	\$ 24,975	\$ 579,975
Series 2005 Refunding Bonds	4.00% - 5.62%	2013-2030	10,059,950	25,026,040	35,085,990
Series 2006 Building Bonds	4.00% - 5.15%	2013-2031	31,645,753	41,454,247	73,100,000
Series 2006 Building and Refunding Bonds	4.00% - 4.71%	2013-2037	60,539,868	71,825,432	132,365,300
Series 2008 Building Bonds	3.39% - 5.88%	2013-2038	44,487,197	88,777,803	133,265,000
Series 2010 Refunding Bonds	.069% - 4.73%	2013-2030	<u>4,817,282</u>	<u>10,512,718</u>	<u>15,330,000</u>
Total Bonds			<u>\$152,105,050</u>	<u>\$237,621,215</u>	<u>\$389,726,265</u>

The 2005, 2006, 2008 and 2010 bond series include Capital Appreciation Bonds. No interest is paid on these bonds prior to maturity. The bonds mature at various dates from 2012 to 2038. Interest accrues on these bonds each February 15 and August 15 even though the interest is not paid until maturity.

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2012

H. Debt Issuance and Defeased Debt

In prior years, the District has defeased other bond series in advance refunding transactions. On August 31, 2012, \$15,850,000 of defeased bonds remains outstanding.

I. Health Care Coverage

During the year ended August 31, 2012, employees of the District were covered under the TRS Active Care health care plan. The District enrolled in TRS Active Care, the statewide health coverage program for public education employees, effective September 1, 2002. The district contributes \$170 per employee on a monthly basis to be used toward health insurance premiums; employees, at their option, may authorize payroll withholdings to pay premiums for dependents. In addition, the District is allocated a portion of the Medicare Part D retiree drug subsidy the TRS-Care receives. The amount allocated on behalf for the year ended August 31, 2012 is estimated by TRS at \$22,991.

J. Pension Plan Obligations

Plan Description - The District contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698, or by calling (800) 877-0123.

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, 2012 and 2011 were \$1,858,967 and \$1,948,601, 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, 2012 and 2011 were \$371,729 and \$440,160, 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%

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements
Year Ended August 31, 2012

K. Teacher Employee Recruitment and Retention Program (TERRP) - continued

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, 2012 and 2011 were \$255,700 and \$320,348. 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 INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance With Final Budget	
	Original	Final	(GAAP BASIS)	Positive or (Negative)	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 18,306,985	\$ 18,568,120	\$ 18,613,193	\$ 45,073
5800	State Program Revenues	21,476,291	20,907,239	20,823,050	(84,189)
5020	Total Revenues	39,783,276	39,475,359	39,436,243	(39,116)
EXPENDITURES:					
Current:					
0011	Instruction	23,659,399	23,504,249	22,737,091	767,158
0012	Instructional Resources and Media Services	868,233	838,819	782,001	56,818
0013	Curriculum and Instructional Staff Development	546,094	490,296	457,182	33,114
0021	Instructional Leadership	495,038	490,750	476,809	13,941
0023	School Leadership	2,282,277	2,324,784	2,282,845	41,939
0031	Guidance, Counseling and Evaluation Services	1,586,629	1,522,876	1,504,039	18,837
0032	Social Work Services	49,840	30,800	30,284	516
0033	Health Services	615,256	582,053	539,082	42,971
0034	Student (Pupil) Transportation	1,670,661	1,476,474	1,390,974	85,500
0036	Extracurricular Activities	1,165,623	1,136,220	1,055,949	80,271
0041	General Administration	1,868,172	1,699,197	1,627,271	71,926
0051	Facilities Maintenance and Operations	5,525,253	5,063,883	4,878,018	185,865
0052	Security and Monitoring Services	288,989	250,907	233,882	17,025
0053	Data Processing Services	656,211	563,452	542,322	21,130
6030	Total Expenditures	41,277,675	39,974,760	38,537,749	1,437,011
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,494,399)	(499,401)	898,494	1,397,895
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(50,000)	(50,000)	-	50,000
7080	Total Other Financing Sources (Uses)	(50,000)	(50,000)	-	50,000
1200	Net Change in Fund Balances	(1,544,399)	(549,401)	898,494	1,447,895
0100	Fund Balance - September 1 (Beginning)	15,853,344	15,853,344	15,853,344	-
3000	Fund Balance - August 31 (Ending)	\$ 14,308,945	\$ 15,303,943	\$ 16,751,838	\$ 1,447,895

OTHER SUPPLEMENTARY INFORMATION

ENNIS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2012

Data Control Codes	205 Head Start	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant
ASSETS				
1110 Cash and Cash Equivalents	\$ 5,393	\$ -	\$ -	\$ -
1120 Investments - Current	-	-	-	-
1240 Receivables from Other Governments	8,022	7,004	275,917	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 13,415</u>	<u>\$ 7,004</u>	<u>\$ 275,917</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ 7	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	2,407	-	48,480	-
2170 Due to Other Funds	10,791	7,004	223,746	-
2200 Accrued Expenditures	210	-	3,691	-
2300 Deferred Revenues	-	-	-	-
2000 Total Liabilities	<u>13,415</u>	<u>7,004</u>	<u>275,917</u>	<u>-</u>
Fund Balances:				
Nonspendable Fund Balance:				
3445 Other Non-Spendable Fund Balance	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	-	-
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 13,415</u>	<u>\$ 7,004</u>	<u>\$ 275,917</u>	<u>\$ -</u>

224	225	240	244	255	263	287	289
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	Education Jobs Fund	Other Federal Special Revenue Funds
\$ -	\$ -	\$ 64,836	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	491,020	-	-	-	-	-
169,157	452	58,337	-	48,967	16,019	188,831	-
-	-	61,949	-	-	-	-	-
<u>\$ 169,157</u>	<u>\$ 452</u>	<u>\$ 676,142</u>	<u>\$ -</u>	<u>\$ 48,967</u>	<u>\$ 16,019</u>	<u>\$ 188,831</u>	<u>\$ -</u>
\$ -	\$ -	\$ 149,414	\$ -	\$ -	\$ -	\$ -	\$ -
19,261	-	340	-	11,932	2,115	-	-
148,098	452	6,664	-	35,980	13,719	188,831	-
1,798	-	(13)	-	1,055	185	-	-
-	-	1,599	-	-	-	-	-
<u>169,157</u>	<u>452</u>	<u>158,004</u>	<u>-</u>	<u>48,967</u>	<u>16,019</u>	<u>188,831</u>	<u>-</u>
-	-	61,949	-	-	-	-	-
-	-	456,189	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>518,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 169,157</u>	<u>\$ 452</u>	<u>\$ 676,142</u>	<u>\$ -</u>	<u>\$ 48,967</u>	<u>\$ 16,019</u>	<u>\$ 188,831</u>	<u>\$ -</u>

ENNIS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2012

Data Control Codes	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ (209,447)	\$ (139,218)
1120	Investments - Current	-	-	368,843	859,863
1240	Receivables from Other Governments	-	-	-	772,706
1300	Inventories	-	-	-	61,949
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,396</u>	<u>\$ 1,555,300</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ 16,611	\$ 166,032
2160	Accrued Wages Payable	-	-	-	84,535
2170	Due to Other Funds	-	-	-	635,285
2200	Accrued Expenditures	-	-	-	6,926
2300	Deferred Revenues	-	-	-	1,599
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>16,611</u>	<u>894,377</u>
Fund Balances:					
Nonspendable Fund Balance:					
3445	Other Non-Spendable Fund Balance	-	-	-	61,949
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	456,189
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	142,785	142,785
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>142,785</u>	<u>660,923</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,396</u>	<u>\$ 1,555,300</u>

697 Capital Projects - 2008 Bond	699 Capital Projects - 2006 Bond	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ (139,218)
217,129	382,086	599,215	1,459,078
-	-	-	772,706
-	-	-	61,949
<u>\$ 217,129</u>	<u>\$ 382,086</u>	<u>\$ 599,215</u>	<u>\$ 2,154,515</u>
\$ -	\$ -	\$ -	\$ 166,032
-	-	-	84,535
-	-	-	635,285
-	-	-	6,926
-	-	-	1,599
<u>-</u>	<u>-</u>	<u>-</u>	<u>894,377</u>
-	-	-	61,949
-	-	-	456,189
217,129	382,086	599,215	599,215
-	-	-	142,785
<u>217,129</u>	<u>382,086</u>	<u>599,215</u>	<u>1,260,138</u>
<u>\$ 217,129</u>	<u>\$ 382,086</u>	<u>\$ 599,215</u>	<u>\$ 2,154,515</u>

ENNIS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	205 Head Start	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	107,762	14,350	1,197,389	1,577
5020 Total Revenues	<u>107,762</u>	<u>14,350</u>	<u>1,197,389</u>	<u>1,577</u>
EXPENDITURES:				
Current:				
0011 Instruction	107,762	13,500	1,063,822	1,577
0013 Curriculum and Instructional Staff Development	-	850	101,954	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0061 Community Services	-	-	31,613	-
Debt Service:				
0072 Interest on Long Term Debt	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>107,762</u>	<u>14,350</u>	<u>1,197,389</u>	<u>1,577</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

224	225	240	244	255	263	287	289
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	Education Jobs Fund	Other Federal Special Revenue Funds
\$ -	\$ -	\$ 562,864	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	31,547	-	-	-	-	-
1,204,153	18,433	2,242,574	76,292	244,517	71,020	1,005,080	9,988
<u>1,204,153</u>	<u>18,433</u>	<u>2,836,985</u>	<u>76,292</u>	<u>244,517</u>	<u>71,020</u>	<u>1,005,080</u>	<u>9,988</u>
716,277	12,432	-	76,292	244,517	67,538	1,005,080	9,988
3,436	980	-	-	-	-	-	-
11,077	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
443,923	5,021	-	-	-	-	-	-
24,205	-	-	-	-	-	-	-
77	-	-	-	-	-	-	-
-	-	2,778,593	-	-	-	-	-
5,158	-	-	-	-	-	-	-
-	-	-	-	-	3,482	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,204,153</u>	<u>18,433</u>	<u>2,778,593</u>	<u>76,292</u>	<u>244,517</u>	<u>71,020</u>	<u>1,005,080</u>	<u>9,988</u>
-	-	58,392	-	-	-	-	-
-	-	459,746	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 518,138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ENNIS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 302,438	\$ 865,302
5800 State Program Revenues	461,614	1,341	-	494,502
5900 Federal Program Revenues	-	-	-	6,193,135
5020 Total Revenues	<u>461,614</u>	<u>1,341</u>	<u>302,438</u>	<u>7,552,939</u>
EXPENDITURES:				
Current:				
0011 Instruction	461,614	-	1,001	3,781,400
0013 Curriculum and Instructional Staff Development	-	861	859	108,940
0021 Instructional Leadership	-	-	-	11,077
0023 School Leadership	-	-	303	303
0031 Guidance, Counseling and Evaluation Services	-	-	-	448,944
0033 Health Services	-	-	-	24,205
0034 Student (Pupil) Transportation	-	-	-	77
0035 Food Services	-	-	-	2,778,593
0036 Extracurricular Activities	-	-	322,609	327,767
0041 General Administration	-	-	17,331	17,331
0061 Community Services	-	480	-	35,575
Debt Service:				
0072 Interest on Long Term Debt	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>461,614</u>	<u>1,341</u>	<u>342,103</u>	<u>7,534,212</u>
1200 Net Change in Fund Balance	-	-	(39,665)	18,727
0100 Fund Balance - September 1 (Beginning)	-	-	182,450	642,196
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,785</u>	<u>\$ 660,923</u>

697 Capital Projects - 2008 Bond	699 Capital Projects - 2006 Bond	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 552	\$ 275	\$ 827	\$ 866,129
-	-	-	494,502
-	-	-	6,193,135
<u>552</u>	<u>275</u>	<u>827</u>	<u>7,553,766</u>
-	-	-	3,781,400
-	-	-	108,940
-	-	-	11,077
-	-	-	303
-	-	-	448,944
-	-	-	24,205
-	-	-	77
-	-	-	2,778,593
-	-	-	327,767
-	-	-	17,331
-	-	-	35,575
-	171,451	171,451	171,451
<u>451,950</u>	<u>-</u>	<u>451,950</u>	<u>451,950</u>
<u>451,950</u>	<u>171,451</u>	<u>623,401</u>	<u>8,157,613</u>
(451,398)	(171,176)	(622,574)	(603,847)
<u>668,527</u>	<u>553,262</u>	<u>1,221,789</u>	<u>1,863,985</u>
<u>\$ 217,129</u>	<u>\$ 382,086</u>	<u>\$ 599,215</u>	<u>\$ 1,260,138</u>

REQUIRED TEA SCHEDULES

ENNIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2012

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2003 and prior years	Various	Various	\$ 1,158,316,649
2004	1.420000	0.230000	1,164,961,741
2005	1.470000	0.180000	1,239,644,773
2006	1.470000	0.180000	1,365,760,760
2007	1.340000	0.230000	1,484,679,108
2008	1.030000	0.370000	1,561,191,643
2009	1.040000	0.440000	1,743,357,926
2010	1.040000	0.470000	1,708,602,317
2011	1.040000	0.500000	1,725,726,510
2012 (School year under audit)	1.040000	0.500000	1,753,464,940
1000 TOTALS			

(10) Beginning Balance 9/1/2011	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2012
\$ 531,277	\$ -	\$ 9,229	\$ 1,457	\$ (871)	\$ 519,720
98,124	-	2,362	383	66	95,445
90,919	-	6,154	754	(491)	83,520
95,001	-	9,958	1,219	(4,712)	79,112
104,565	-	19,500	3,347	389	82,107
119,682	-	25,561	9,182	3,977	88,916
219,311	-	56,856	24,054	(529)	137,872
294,812	-	91,891	41,528	(1,509)	159,884
562,539	-	222,716	107,075	(5,070)	227,678
-	26,479,071	17,526,675	8,426,286	(58,462)	467,648
<u>\$ 2,116,230</u>	<u>\$ 26,479,071</u>	<u>\$ 17,970,902</u>	<u>\$ 8,615,285</u>	<u>\$ (67,212)</u>	<u>\$ 1,941,902</u>

**ENNIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2012-2013
GENERAL AND SPECIAL REVENUE FUNDS
AUGUST 31, 2012**

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ 106,974	\$ 266,490	\$ 657,206	\$ -	\$ -	\$ 1,030,670
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	204,030	-	-	-	204,030
6212	Audit Services	-	-	-	35,000	-	-	35,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	205,639	-	-	-	-	205,639
621X	Other Professional Services	-	6,364	250	10,174	-	-	16,788
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	14,449	-	-	14,449
6240	Contr. Maint. and Repair	-	197	282	1,017	-	-	1,496
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	1,270	2,687	4,236	-	-	8,193
6290	Miscellaneous Contr.	-	-	-	9,754	-	-	9,754
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	79	7,086	2,285	31,024	-	-	40,474
6410	Travel, Subsistence, Stipends	2,872	290	1,774	12,392	-	-	17,328
6420	Ins. and Bonding Costs	12,407	250	-	465	-	-	13,122
6430	Election Costs	4,878	-	-	-	-	-	4,878
6490	Miscellaneous Operating	81	160	22,393	28,817	-	-	51,451
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 20,317	\$ 328,230	\$ 500,191	\$ 804,534	\$ -	\$ -	\$ 1,653,272

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 46,071,957

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 286,875
Total Debt & Lease(6500)	(11) -
Plant Maintenance (Function 51, 6100-6400)	(12) 4,842,995
Food (Function 35, 6341 and 6499)	(13) 1,335,683
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	804,534

SubTotal: 7,270,086

Net Allowed Direct Cost \$ 38,801,871

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 218,866,113
Historical Cost of Building over 50 years old	(16) \$ 6,619,866
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 22,879,380
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 2,172,808
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: \$8,670 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.

ENNIS INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2012

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 8/31/12 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 16,751,838
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 128,302	
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.	7,004,484	
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>13,625,433</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u>\$ 3,126,405</u>

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

ENNIS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 631,545	\$ 764,265	\$ 562,864	\$ (201,401)
5800 State Program Revenues	16,891	31,530	31,547	17
5900 Federal Program Revenues	2,229,371	2,195,451	2,242,574	47,123
5020 Total Revenues	2,877,807	2,991,246	2,836,985	(154,261)
EXPENDITURES:				
0035 Food Services	2,748,853	2,891,804	2,778,593	113,211
6030 Total Expenditures	2,748,853	2,891,804	2,778,593	113,211
1200 Net Change in Fund Balances	128,954	99,442	58,392	(41,050)
0100 Fund Balance - September 1 (Beginning)	459,746	459,746	459,746	-
3000 Fund Balance - August 31 (Ending)	\$ 588,700	\$ 559,188	\$ 518,138	\$ (41,050)

ENNIS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)	
	Original	Final	(GAAP BASIS)		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 8,574,924	\$ 8,776,754	\$ 8,764,283	\$ (12,471)
5800	State Program Revenues	617,925	611,780	590,826	(20,954)
5020	Total Revenues	9,192,849	9,388,534	9,355,109	(33,425)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	6,826,251	6,826,251	6,826,251	-
0072	Interest on Long Term Debt	2,743,799	2,743,799	2,743,799	-
0073	Bond Issuance Cost and Fees	7,000	5,750	4,750	1,000
6030	Total Expenditures	9,577,050	9,575,800	9,574,800	1,000
1200	Net Change in Fund Balances	(384,201)	(187,266)	(219,691)	(32,425)
0100	Fund Balance - September 1 (Beginning)	1,101,450	1,101,450	1,101,450	-
3000	Fund Balance - August 31 (Ending)	\$ 717,249	\$ 914,184	\$ 881,759	\$ (32,425)

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
303 West Knox Street
Ennis, Texas 75119

Members of the Board:

We have audited 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

35 Years and Accounting
1976 - 2011

This report is intended solely for the information and use of management, the audit committee, the Board of Trustees, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Judd, James, Smith & Company

Dallas, Texas
December 21, 2012



**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
303 West Knox Street
Ennis, Texas 75119

Members of the Board:

Compliance

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, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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, 2012.

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.

35 Years and Accounting
1976 - 2011

Internal Control over Compliance, continued

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and 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.

A handwritten signature in black ink, appearing to read "Jill James Smith". The signature is written in a cursive, flowing style.

Dallas, Texas
December 21, 2012

ENNIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

I. Summary of the Auditor's 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 auditor's 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 auditor's 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:
 - Child Nutrition Cluster
 - Education Jobs Fund
- 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, 2012

There were no prior year audit findings.

ENNIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through ESC Region 10</u>			
ESEA, Title I, Part C - Migratory Children	84.011	126150057950	\$ 1,577
Title III, Part A - English Language Acquisition	84.365A	12671001057950	71,020
ESEA, Title X, Part C -Homeless Children	84.196	00-012	14,350
Total Passed Through ESC Region 10			\$ 86,947
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12610101070903	\$ 1,197,389
Other Federally Funded Special Revenue Funds	84.369	69551102	9,988
*IDEA - Part B, Formula	84.027	126600010709036000	1,204,153
*IDEA - Part B, Preschool	84.173	126610010709036000	18,433
Total Special Education Cluster (IDEA)			1,222,586
Career and Technical - Basic Grant	84.048	12420006070903	76,292
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12694501070903	244,517
Education Jobs Fund	84.410	11550101070903	1,005,080
Total Passed Through State Department of Education			\$ 3,755,852
TOTAL DEPARTMENT OF EDUCATION			\$ 3,842,799
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	3282.63	\$ 107,762
Total Passed Through State Department of Education			\$ 107,762
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 107,762
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401101	\$ 616,026
*National School Lunch Program - Cash Assistance	10.555	71301001	1,465,975
*National School Lunch Prog. - Non-Cash Assistance	10.555		160,573
Total CFDA Number 10.555			1,626,548
Total Child Nutrition Cluster			2,242,574
Total Passed Through the State Department of Agriculture			\$ 2,242,574
TOTAL DEPARTMENT OF AGRICULTURE			\$ 2,242,574
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 6,193,135

*Clustered Programs

ENNIS INDEPENDENT SCHOOL DISTRICT

Notes on Accounting Policies for Federal Awards Year Ended August 31, 2012

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.