

ATHENS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
Athens, Texas 75751

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

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CERTIFICATE OF BOARD

Athens Independent School District
Name of School District


Henderson
County

107-901
Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved ___ disapproved for the year ended June 30, 2013 at a meeting of the board of school trustees of such school district on the 17TH day of OCTOBER, 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)

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA
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**Unmodified Opinions on Basic Financial Statements
Accompanied by Required Supplementary Information and Other Information**

Independent Auditor's Report

Board of School Trustees
Athens Independent School District
104 Hawn Street
Athens, Texas 75751

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Athens Independent School District (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedule - general fund, combining and individual nonmajor fund financial statements, required TEA schedules and schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organization*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule - general fund, combining and individual nonmajor fund financial statements, required TEA schedules (except for Exhibit J-3) and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule - general fund, combining and individual nonmajor fund financial statements, required TEA schedules (except for Exhibit J-3) and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet) which is marked UNAUDITED has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



SMITH, LAMBRIGHT & ASSOCIATES, P. C.
Certified Public Accountants

October 8, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS



Mr. Blake Stiles,
Superintendent

104 Hawn Street • Athens, Texas 75751 • (903) 677-6900 • Fax (903) 677-6908

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the administrators of Athens Independent School District, discuss and analyze the District's financial performance for the year ended June 30, 2013. Please read it in conjunction with the independent auditor's report and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

These financial statements present information for the fiscal year July 1, 2012 through June 30, 2013. The District's net position on a government-wide basis increased \$1,843,553 (before GASB 65 reclassification) as a result of this period's operations (Exhibit B-1). The increase is primarily reflected in an increase of net capital assets due to the completion of construction work in progress, a decrease in cash and cash equivalents, an increase in current investments, a decrease in the amount due from other governments and a decrease in noncurrent liabilities.

The total cost of all of the District's programs remained flat, and no old programs deleted this period. The district experienced common cost increases and moderate increases in staff compensation (Exhibit B-1).

During the period, the District General Fund had revenues of \$24,159,486, representing \$1,677,112 more than the \$22,482,374 expenditures net of other financing sources and uses for governmental programs (Exhibit C-3). This is consistent with the district's capital improvement plan that previously committed \$1,500,000 of fund balance for future construction and capital purposes. These funds will help with future upgrades to the bus fleet as well as address heating, ventilation and air conditioning needs, other facility needs and technology improvements and replacements.

The District General Fund ended the year with a fund balance of \$9,617,731 (Exhibit C-3). The increase of \$1,677,112 in fund balance represents the effect of operations. The district benefited from favorable property tax collections, enrollment and attendance, higher than expected federal program revenues (including the benefits of the School Health and Related Services program and the Special Education High Cost Grant), and cost containment strategies.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. 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 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, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The 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 sections labeled TEA Required Schedules and Compliance, Internal Control 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 Statement of Net Position and the Statement of Activities

The primary purpose of the government-wide financial statements is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These 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, from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

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

In the Statement of Net Position and the Statement of Activities, we combine the District into one kind of activity:

- Governmental activities-Most of the District's basic services are reported here, including 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 the activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements 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 and local capital projects).

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. 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

The District is reporting under GASB Statement #34. Our analysis of comparative balances and changes therein appears below. Our analysis focuses on the net position and changes in net position of the District's governmental activities.

Net position of the District's governmental activities increased from \$26,776,179 to \$28,038,552. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$2,321,495 to \$11,099,211 at June 30, 2013. This change in governmental net assets was the result of operations and related factors. Specific items to note include: the net capital assets increased by \$1,890,221 due to construction and renovation, the District's liabilities related to debt service decreased due to the principal and interest paid during the fiscal year. Restricted assets decreased reflecting the use of resources committed to capital improvements.

TABLE I
Athens Independent School District
Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	Increase (Decrease)
Current and other assets	\$ 16,074,823	\$ 18,812,144	(2,737,321)
Capital assets	<u>38,932,225</u>	<u>37,042,004</u>	<u>1,890,221</u>
Total Assets	55,007,048	55,854,148	(847,100)
Noncurrent liabilities	24,332,781	25,874,788	(1,542,007)
Other liabilities	<u>2,635,715</u>	<u>3,203,181</u>	<u>(567,466)</u>
Total Liabilities	26,968,496	29,077,969	(2,109,473)
Net Position:			
Invested in capital assets net of related debt	14,599,444	11,748,395	2,851,049
Restricted	2,339,897	6,250,068	(3,910,171)
Unrestricted	<u>11,099,211</u>	<u>8,777,716</u>	<u>2,321,495</u>
Total Net Position	\$ 28,038,552	\$ 26,776,179	\$ 1,262,373

TABLE II
Athens Independent School District
Statement of Activities - Changes In Net Positions

	Year Ended <u>June 30, 2013</u>	Year Ended <u>June 30, 2012</u>	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services	625,621	624,595	1,026
Operating grants and contributions	5,468,619	6,080,809	(612,190)
General Revenues			
Maintenance and operations taxes	12,231,264	11,995,612	235,652
Debt service taxes	1,756,978	1,723,003	33,975
State aid – formula grants	9,978,372	10,209,347	(230,975)
Grants and Contributions (not restricted)	822,475	529,747	292,728
Investment earnings	57,822	63,850	(6,028)
Miscellaneous	420,891	340,546	80,345
Capital Asset Donation	<u>505,000</u>	<u>--,--0</u>	<u>505,000</u>
Total Revenue	31,867,042	31,567,509	299,533
Expenses			
Instruction, curriculum and media services	17,143,539	16,740,670	(702,723)
Instructional and school leadership	1,958,308	1,956,235	(172,796)
Student support services	2,202,119	2,262,539	(101,296)
Child nutrition	1,684,507	1,748,216	89,482
Co curricular activities	1,458,506	1,408,577	(11,445)
General administration	917,728	1,029,560	(171,026)
Plant maintenance, security & data processing	3,303,726	3,506,249	(138,303)
Community Services	47,322	43,710	(42)
Debt Services	1,048,083	1,073,167	209,989
Other Intergovernmental Charges (CAD)	<u>259,651</u>	<u>261,725</u>	<u>33,332</u>
Total Expenses	30,023,489	30,030,648	(7,159)
Increase (Decrease) in net position	1,843,553	1,536,861	306,692
Net position at Beginning of Period	<u>26,776,179</u>	<u>25,239,318</u>	<u>1,536,861</u>
Net position at End of Period	<u>28,038,552</u>	<u>26,776,179</u>	<u>\$ 1,843,553</u>

The District's total revenues for the year ended June 30, 2013 were flat (increased by less than one percent) compared to the year ended June 30, 2012, primarily due to the status of state funding and a decrease in federal and state grant programs. The total cost of all programs and services was also virtually unchanged to match the status of state funding and cost containment efforts.

The net cost of all governmental activities this year was \$23,929,249. However, as shown in the Statement of Activities (Exhibit B-1), the amount that our taxpayers ultimately financed for these activities through District taxes was only \$13,988,242. Some of the costs were paid by those who directly benefited from the programs (\$625,621) or by other governments and organizations

that subsidized certain programs with grants and contributions (\$5,468,619) or by State equalization funding (\$9,978,372). Investment earnings and other revenues funded the remaining amount. The local taxpayer share increased and the state equalization funding decreased as local property values moved slightly higher.

THE DISTRICT'S FUNDS

As the District completed the year, its general fund reported a fund balance of \$9,617,731 (Exhibit C-3), which is \$1,677,112 higher than last year's general fund balance of \$7,940,619. The increase represents the net effect of optimizing grant funds (especially the special education high cost grant); significant efforts of cost avoidance combined with better than expected local property tax revenues and slightly increased federal fund revenues. Accumulated reserves of \$32,278 within the Debt Service Fund were utilized during the current year.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into several categories. The first category includes amendments and supplemental appropriations that were approved after the beginning of the year and reflect the updated revenue/expenditure expectations after the first semester. The second category involved amendments appropriating funds for the locally defined capital projects and other capital assets as well as moving funds between functions to better address needs within the dynamic education environment.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the District had \$62.8 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of approximately 4.03 million dollars, or 6.8 percent above last year.

This year's additions included: completion of construction projects at Bel Air Elementary and career and technology education facilities at Athens High School Annex. The changes also represent the acquisition of two school buses and a general fleet vehicle. The donated scoreboard at Bruce Field has been recorded at an estimated value of \$505,000.

The District's fiscal year 2013-2014 general fund capital budget as originally adopted did not include any funds transferred to the local capital projects fund for facilities improvements. That transfer will be evaluated during the 2013-2014 year in light of the growth in general fund balance which will provide resources for upgrading the bus fleet and other capital improvements. As of June 30, 2013, approximately \$57,000 remains of the proceeds of the Qualified School Construction Bonds approved in 2011 and will be used to replace flooring in the Bel Air cafeteria and improve fencing and security at the career education technology facility. Detailed information about the District's capital assets is presented in Note F to the financial statements.

Debt

At June 30, 2013, the District had \$23.5 million in bonds and maintenance tax notes outstanding. The capital leases used for bus financing have been fully retired. No new debt was issued during fiscal year 2012-2013. More detailed information about the District's long-term liabilities is presented in notes to the financial statements (Note G, H, I and U).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2013-2014 budget and tax rates. The District's population continues to experience stable but minimal growth from year to year. Unemployment for Henderson County has improved. Retail is stable and some specialized residential property (assisted living center and targeted rental units) is under construction as well as an office – retail center. Several specialty restaurants came online after January 1, 2013. Legislative changes will result in increased revenue for the general operations of the District for 2013-2014. Employee pay increases will be provided during 2013-14 for all employees (only employees on the teacher pay scale received pay increases the previous two years). Cost containment and reduction will be accomplished through diligent cost management. The local maintenance property tax rate will remain unchanged, among the lowest of school districts in Texas for 2013, with no increase in the debt service tax rate due to a stable property tax base and available reserve funds. Consequently, the budget adopted for fiscal year 2013-2014 depicts operations within these parameters. If actual tax collections and the related state funding effects are better than anticipated, a budget amendment recognizing the additional resources and opportunities will be considered.

These indicators were taken into account when adopting the General Fund budget for the fiscal year ending June 30, 2014 and adopting the combined tax rate for the 2013 levy of \$1.18647 per \$100 of valuation. Amounts available for appropriation in the original General Fund budget are \$24.3 million, as compared to the final 2012-2013 annual budget of \$23.6 million. The District will use its revenues to finance programs currently offered. Budgeted expenditures are \$24.3 million, an increase of \$721,372 from the final \$23.6 million of 2012-2013. The increase is primarily the net effect of legislative changes to increase school funding and will primarily be reflected in projected increased costs of operations (pay increases for all staff). The District has added no major new programs or initiatives to the 2013-2014 budget. If these estimates are realized, the District's budgetary General Fund balances are expected to remain virtually unchanged at the close of the 2013-2014 fiscal year. The Pinnacle Early College High School, a project in cooperation with Trinity Valley Community College, receives supplemental funding from a local foundation.

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 Athens Independent School District, 104 Hawn Street, Athens, Texas 75751, phone number 903-677-6937.

BASIC FINANCIAL STATEMENTS

ATHENS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 8,813,632
1120 Current Investments	3,143,061
1220 Property Taxes Receivable (Delinquent)	1,152,352
1230 Allowance for Uncollectible Taxes	(23,047)
1240 Due from Other Governments	2,671,730
1290 Other Receivables, net	197,290
1300 Inventories	36,276
1410 Prepayments	83,529
Capital Assets:	
1510 Land	3,012,032
1520 Buildings, Net	34,089,954
1530 Furniture and Equipment, Net	1,816,673
1580 Construction in Progress	13,566
1000 Total Assets	55,007,048
LIABILITIES	
2110 Accounts Payable	87,114
2140 Interest Payable	342,949
2150 Payroll Deductions & Withholdings	21,040
2160 Accrued Wages Payable	2,061,711
2180 Due to Other Governments	10,198
2300 Unearned Revenue	112,703
Noncurrent Liabilities	
2501 Due Within One Year	1,600,000
2502 Due in More Than One Year	22,732,781
2000 Total Liabilities	26,968,496
NET POSITION	
3200 Net Investment in Capital Assets	14,599,444
3820 Restricted for Federal and State Programs	351,738
3850 Restricted for Debt Service	1,720,228
3860 Restricted for Capital Projects	57,419
3870 Restricted for Campus Activities	200,944
3890 Restricted for Other Purposes	9,568
3900 Unrestricted	11,099,211
3000 Total Net Position	\$ 28,038,552

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

ATHENS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 16,592,415	\$ 11,425	\$ 3,226,988	\$ (13,354,002)
12 Instructional Resources and Media Services	351,775	-	13,563	(338,212)
13 Curriculum and Staff Development	199,349	-	160,881	(38,468)
21 Instructional Leadership	412,893	-	145,051	(267,842)
23 School Leadership	1,545,415	-	80,227	(1,465,188)
31 Guidance, Counseling and Evaluation Services	767,682	-	118,263	(649,419)
33 Health Services	183,461	-	39,098	(144,363)
34 Student (Pupil) Transportation	1,250,976	-	45,126	(1,205,850)
35 Food Services	1,684,507	338,529	1,395,663	49,685
36 Extracurricular Activities	1,458,506	265,182	24,732	(1,168,592)
41 General Administration	917,728	-	67,000	(850,728)
51 Facilities Maintenance and Operations	2,730,702	10,485	77,502	(2,642,715)
52 Security and Monitoring Services	198,819	-	14,840	(183,979)
53 Data Processing Services	374,205	-	12,363	(361,842)
61 Community Services	47,322	-	47,322	-
72 Debt Service - Interest on Long Term Debt	1,045,352	-	-	(1,045,352)
73 Debt Service - Bond Issuance Cost and Fees	2,731	-	-	(2,731)
99 Other Intergovernmental Charges	259,651	-	-	(259,651)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 30,023,489</u>	<u>\$ 625,621</u>	<u>\$ 5,468,619</u>	<u>\$ (23,929,249)</u>

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		12,231,264
DT	Property Taxes, Levied for Debt Service		1,756,978
SF	State Aid - Formula Grants		9,978,372
GC	Grants and Contributions not Restricted		822,475
IE	Investment Earnings		57,822
MI	Miscellaneous Local and Intermediate Revenue		420,891
S1	Capital Asset Donation		505,000
TR	Total General Revenues and Special Items		<u>25,772,802</u>
CN	Change in Net Position		1,843,553
NB	Net Position - Beginning		26,776,178
PA	Reclassification-GASB 65 Change		(581,179)
NE	Net Position--Ending		<u>\$ 28,038,552</u>

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

ATHENS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 6,621,147	\$ 1,605,357	\$ 716,267
1120 Investments - Current	3,028,190	114,871	-
1220 Property Taxes - Delinquent	1,010,150	142,202	-
1230 Allowance for Uncollectible Taxes (Credit)	(20,203)	(2,844)	-
1240 Receivables from Other Governments	1,813,211	-	-
1290 Other Receivables	67,437	-	-
1300 Inventories	-	-	-
1410 Prepayments	83,529	-	-
1000 Total Assets	<u>\$ 12,603,461</u>	<u>\$ 1,859,586</u>	<u>\$ 716,267</u>
LIABILITIES			
2110 Accounts Payable	\$ 50,566	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	21,040	-	-
2160 Accrued Wages Payable	1,836,079	-	-
2180 Due to Other Governments	-	-	-
2300 Unearned Revenues	88,098	-	-
2000 Total Liabilities	<u>1,995,783</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	989,947	139,358	-
2600 Total Inflows of Resources	<u>989,947</u>	<u>139,358</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	-	-	-
3430 Prepaid Items	83,529	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	57,419
3480 Retirement of Long-Term Debt	-	1,720,228	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3510 Construction	1,500,000	-	658,848
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	-	-	-
3600 Unassigned Fund Balance	8,034,202	-	-
3000 Total Fund Balances	<u>9,617,731</u>	<u>1,720,228</u>	<u>716,267</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 12,603,461</u>	<u>\$ 1,859,586</u>	<u>\$ 716,267</u>

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

Other Funds	Total Governmental Funds
\$ (129,139)	\$ 8,813,632
-	3,143,061
-	1,152,352
-	(23,047)
858,519	2,671,730
129,853	197,290
36,276	36,276
-	83,529
<u>\$ 895,509</u>	<u>\$ 16,074,823</u>
\$ 36,548	\$ 87,114
-	21,040
225,632	2,061,711
10,198	10,198
24,605	112,703
<u>296,983</u>	<u>2,292,766</u>
-	1,129,305
-	1,129,305
36,276	36,276
-	83,529
351,738	351,738
-	57,419
-	1,720,228
9,568	9,568
-	2,158,848
200,944	200,944
-	8,034,202
<u>598,526</u>	<u>12,652,752</u>
<u>\$ 895,509</u>	<u>\$ 16,074,823</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 JUNE 30, 2013

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	12,652,752
1 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 \$58,756,917 and the accumulated depreciation was \$21,714,913. 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 long-term debt was \$25,874,789. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		11,167,215
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2013 capital outlays and debt principal payments is to increase (decrease) net position.		5,151,882
3 The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(2,147,434)
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		1,214,137
5 Net Position of Governmental Activities		28,038,552

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

ATHENS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 12,678,422	\$ 1,801,060	\$ 4,674
5800 State Program Revenues	10,959,077	-	-
5900 Federal Program Revenues	521,987	296,888	-
5020 Total Revenues	<u>24,159,486</u>	<u>2,097,948</u>	<u>4,674</u>
EXPENDITURES:			
Current:			
0011 Instruction	12,501,558	-	24,415
0012 Instructional Resources and Media Services	319,334	-	-
0013 Curriculum and Instructional Staff Development	37,642	-	-
0021 Instructional Leadership	278,471	-	-
0023 School Leadership	1,460,126	-	-
0031 Guidance, Counseling and Evaluation Services	684,726	-	-
0033 Health Services	153,556	-	-
0034 Student (Pupil) Transportation	1,120,676	-	298,707
0035 Food Services	-	-	-
0036 Extracurricular Activities	953,030	-	-
0041 General Administration	884,034	-	-
0051 Facilities Maintenance and Operations	2,560,729	-	187,585
0052 Security and Monitoring Services	187,119	-	-
0053 Data Processing Services	357,967	-	9,629
0061 Community Services	-	-	-
Debt Service:			
0071 Principal on Long Term Debt	279,227	1,340,000	-
0072 Interest on Long Term Debt	168,528	788,495	-
0073 Bond Issuance Cost and Fees	1,000	1,731	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	3,044,224
Intergovernmental:			
0099 Other Intergovernmental Charges	259,651	-	-
6030 Total Expenditures	<u>22,207,374</u>	<u>2,130,226</u>	<u>3,564,560</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,952,112</u>	<u>(32,278)</u>	<u>(3,559,886)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	275,000
8911 Transfers Out (Use)	(275,000)	-	-
7080 Total Other Financing Sources (Uses)	<u>(275,000)</u>	<u>-</u>	<u>275,000</u>
1200 Net Change in Fund Balances	1,677,112	(32,278)	(3,284,886)
0100 Fund Balance - July 1 (Beginning)	<u>7,940,619</u>	<u>1,752,506</u>	<u>4,001,153</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 9,617,731</u>	<u>\$ 1,720,228</u>	<u>\$ 716,267</u>

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

Other Funds	Total Governmental Funds
\$ 648,051	\$ 15,132,207
797,261	11,756,338
3,694,253	4,513,128
<u>5,139,565</u>	<u>31,401,673</u>
2,716,160	15,242,133
179	319,513
161,072	198,714
132,854	411,325
7,544	1,467,670
82,063	766,789
28,363	181,919
-	1,419,383
1,593,879	1,593,879
211,238	1,164,268
27,839	911,873
22,560	2,770,874
6,375	193,494
-	367,596
47,322	47,322
-	1,619,227
-	957,023
-	2,731
-	3,044,224
-	259,651
<u>5,037,448</u>	<u>32,939,608</u>
<u>102,117</u>	<u>(1,537,935)</u>
-	275,000
-	(275,000)
-	-
<u>102,117</u>	<u>(1,537,935)</u>
<u>496,409</u>	<u>14,190,687</u>
<u>\$ 598,526</u>	<u>\$ 12,652,752</u>

ATHENS 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 JUNE 30, 2013

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	(1,537,935)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2013 capital outlays and debt principal payments is to increase (decrease) net position.		5,151,882
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(2,147,434)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		377,040
Change in Net Position of Governmental Activities	\$	<u>1,843,553</u>

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

ATHENS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 336,269	\$ 90,936
Other Receivables	117,298	-
Total Assets	<u>453,567</u>	<u>\$ 90,936</u>
LIABILITIES		
Accounts Payable	1,355	\$ -
Due to Student Groups	-	90,936
Total Liabilities	<u>1,355</u>	<u>\$ 90,936</u>
NET POSITION		
Restricted for Scholarships	88,210	
Restricted for Other Purposes	364,002	
Total Net Position	<u>\$ 452,212</u>	

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

ATHENS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT E-2

	Private Purpose Trust Funds
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 449,518
Total Additions	<u>449,518</u>
DEDUCTIONS:	
Payroll Costs	4,486
Professional and Contracted Services	34,181
Supplies and Materials	238,025
Other Operating Costs	(2,000)
Total Deductions	<u>274,692</u>
Change in Net Position	174,826
Total Net Position - July 1 (Beginning)	<u>277,386</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 452,212</u></u>

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

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Athens Independent School District (“The District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the “Board”) is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (“GASB”) in its Statement No. 14, “The Financial Reporting Entity.” There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District’s nonfiduciary activities with most of the interfund 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 includes 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.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the governmental fund Balance Sheet and proprietary fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

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 and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating.

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, as do the proprietary fund and fiduciary fund financial statements. 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.

The proprietary fund types and fiduciary fund types 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 Agency funds apply the accrual basis of accounting but do not have a measurement focus. All assets and all liabilities associated with operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net Position, and unrestricted net position.

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

D. FUND ACCOUNTING

The District reports the following fund types:

Governmental Funds:

- 1. General Fund** - The general fund is the District's primary operating fund and is always reported as a major fund. It accounts for all financial resources except those required to be accounted for in another fund.
- 2. 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.
- 3. Debt Service Fund** - 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.
- 4. Capital Projects Fund** - 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.

Fiduciary Funds:

- 5. Private Purpose Trust Funds** - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Funds are a scholarship fund and specified donation funds.
- 6. Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the student activity fund.

E. CASH AND CASH EQUIVALENTS

For the 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.

F. INVENTORIES

The District records purchases of supplies as expenditures. Inventory on the balance sheet is recorded at cost and represents supplies and materials purchased for the subsequent school year. Food service commodities are recorded at fair market value as supplied by the Texas Department of Human Services.

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

G. CAPITAL ASSETS

Capital assets, which include land, buildings, furniture and equipment are reported in the governmental column 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	40
Building Improvements	20
Vehicles	5-10
Furniture and Equipment	5-10

Land and construction in progress are not depreciation.

H. DEFERRED OUTFLOWS / DEFERRED INFLOWS OF RESOURCES

GASB No. 63 and GASB No. 65 provide guidance on financial reporting related to deferred outflows of resources and deferred inflows of resources. The objective of these statements is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

In addition to assets, the Balance Sheet and Statement of Net Position may report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Balance Sheet and Statement of Net Position may report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resource (revenue) until that time.

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

I. LONG TERM DEBT

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

J. FUND BALANCE

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

1. Nonspendable fund balance - includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable.
2. Restricted Fund Balance - includes amounts that are restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions of enabling legislation.
3. Committed Fund Balance - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
4. Assigned Fund Balance - includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Board or by other officials to which the Board has delegated the authority to assign amounts to be used for specific purposes. When it is appropriate for fund balance to be assigned, the Board delegates the responsibility to assign funds to the Superintendent or his/her designee.
5. Unassigned Fund Balance - is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District will utilize funds in the following spending order: Restricted, Committed, Assigned and Unassigned.

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

K. USE OF ESTIMATES

The presentation of financial statements, in conformity with Generally Accepted Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

L. DATA CONTROL CODES

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 insure accuracy in building a Statewide data base for policy development and funding plans.

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

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 POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. 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>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	\$ 3 012 032	\$	\$ 3 012 032	
Buildings & Improvements	47 388 915	18 069 778	29 319 137	
Furniture & Equipment	4 843 050	3 645 135	1 197 915	
Construction in Progress	<u>3 512 920</u>		<u>3 512 920</u>	
Totals	<u>\$ 58 756 917</u>	<u>\$ 21 714 913</u>		
Change in Net Position				<u>\$ 37 042 004</u>
<u>Long-term Liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			\$ 20 822 543	
Accretion Payable			610 477	
Loans Payable			4 240 000	
Capital Leases Payable			94 227	
Premium (Discount) on Issuance of Bonds			<u>107 542</u>	
Changes in Net Position				<u>25 874 789</u>
Net Adjustment to Net Position				<u>\$ 11 167 215</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

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 a 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 Position 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 position balance and the change in net position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Position</u>
Current Year Capital Outlay:			
Land	\$	\$	\$
Buildings & Improvements	29 751		
Furniture & Equipment	458 680		
Non Depreciable Assets			
Construction in Progress	<u>3 044 224</u>		
Total Capital Outlay	<u>3 532 655</u>	<u>3 532 655</u>	<u>3 532 655</u>
Debt Principal Payments:			
Bond Principal	1 340 000		
Loan Principal	185 000		
Capital Lease Principal	<u>94 227</u>		
Total Principal Payments	<u>\$ 1 619 227</u>	<u>1 619 227</u>	<u>1 619 227</u>
Total Adjustment to Net Position		<u>\$ 5 151 882</u>	<u>\$ 5 151 882</u>

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C. EXPLANATION OF OTHER DIFFERENCES

Another element of the reconciliation on Exhibits C-2 and 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:

	Amount	Adjustments to Change in Net Position	Adjustments to Net Position
Adjustments to Revenue and Deferred Revenue:			
Taxes Collected from Prior Year Levies	\$ 560 816	\$ (560 816)	\$
Uncollected taxes (assumed collectible) from Current Year Levy	521 185	521 185	521 185
Uncollected Taxes (assumed collectible) from Prior Year Levy	608 120		608 120
Accrued Interest on Debt:			
Prior Year	331 839	331 839	
Current Year	342 949	(342 949)	(342 949)
Accretion on Capital Appreciation Bonds:			
Current Year Accrued	107 720	(107 720)	(107 720)
Current Year Paid	0		
Bond Premium Amortization:			
Current Year	30 501	30 501	30 501
Capital Asset Donation	505 000	505 000	505 000
Total		\$ 377 040	\$ 1 214 137

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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 Fund). 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 Exhibits J-4 and J-5.

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

1. Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 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 July 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. The budget was amended as necessary during the year.
4. Each budget is controlled at the organizational level by the administration, appropriate department head or campus principal within Board allocations at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	<u>June 30, 2013</u>
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 387 523
Nonappropriated Budget Funds	<u>211 003</u>
All Special Revenue Funds	<u><u>\$ 598 526</u></u>

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B. ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Encumbrances outstanding at year-end are commitments that do not constitute expenditures or liabilities, but are reported as assignments of fund balances. Since appropriations lapse at the end of each fiscal year, outstanding encumbrances are appropriately provided for in the subsequent fiscal year's budget to provide for the liquidation of the prior commitments. There were no outstanding encumbrances at the end of the fiscal year that were subsequently provided for in the 2013-2014 budget.

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IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND 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, and (9) bid solicitation preferences for certificates of deposit.

State statutes and Board policy authorize the District to invest in 1) Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009.; 2) Certificates of deposit and share certificates as permitted by Government Code 2256.010.; 3) Fully collateralized repurchase agreements permitted by Government Code 2256.011.; 4) A securities lending program as permitted by Government Code 2256.0115.; 5) Banker's acceptances as permitted by Government Code 2256.012.; 6) Commercial paper as permitted by Government Code 2256.013.; 7) No load money market mutual funds and no load mutual funds as permitted by Government Code 2256.014.; 8) A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015.; and 9) Public funds investment pools as permitted by Government Code 2256.016.

In compliance with the Public Funds Investment Act, the District has adopted an investment policy. The District is in substantial compliance with the requirements of the Act and with local policies. The risks that the District may be subject are:

- a. Custodial Credit Risk - Deposits: This is the risk that in the event of a bank failure, the District's deposits, including checking, money market accounts and certificates of deposit, may not be returned to it.

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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. During 2012-2013 the District's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

The largest combined balances of cash, savings and time deposit accounts amounted to \$14,909,119 and occurred on February 20, 2013. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$18,760,506. The total amount of FDIC coverage at the time of the highest combined balance was \$500,000.

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- b. Custodial Credit Risk - Investments: 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. Any investment that is both uninsured and unregistered is exposed to custodial credit risk if the investment is held by the counterparty, or if the investment is held by the counterparty's trust department or agent, but not in the name of the investor government. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Positions in external investment pools are not subject to custodial credit risk.
- c. Interest Rate Risk: Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.
- d. Concentration of Credit Risk: Concentration risk is defined as positions of five percent or more in the securities of a single issuer. This is the issuer of the underlying investment, and not a pool. This does not apply to U.S. Government securities.

CASH DEPOSITS

At June 30, 2013, the amount of the District's cash balance in checking accounts was \$9,240,837. Cash on hand was \$0.

INVESTMENTS

The District's investments at June 30, 2013, are shown below:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Tex STAR	\$ 751 060	\$ 751 113	.147945
First Public / Lone Star Investment Pool	686 209	686 301	.156164
Texas CLASS	<u>1 705 792</u>	<u>1 705 792</u>	.136986
 Total Investments	 <u>\$ 3 143 061</u>	 <u>\$ 3 143 206</u>	

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net Position to compute share prices. Accordingly the market value of the position in these pools is the same as the value of the shares in each pool, which approximates the carrying amount. The investment pools are organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

For the purpose of the statement of cash flows for proprietary fund types, if any, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

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B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid by February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Delinquent taxes not paid by June 30 are subject to penalty and interest charges plus 15% delinquent collection fees for attorney costs. Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off by the District as provided by specific statutory authority from the Texas Legislature.

The assessed value of the property tax roll on January 1, 2012 upon which the levy for the 2012-2013 fiscal year was based, was \$1,189,283,883. The tax rates assessed for the year ended June 30, 2013 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.03738 and \$.14909 per \$100 valuation, respectively, for a total of \$1.18647 per \$100 valuation. Current tax collections for the year ended June 30, 2013 were 96.2% of the year end adjusted tax levy. As of June 30, 2013, property taxes receivable totaled \$1,010,150 and \$142,202 for the General and Debt Service Funds respectively.

C. RECEIVABLES 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 June 30, 2013 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Receivables from Other Governments.

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
State Entitlements	\$ 1 813 211	\$	\$	\$	\$ 1 813 211
Other State Grants				17 451	17 451
Federal Grants				<u>841 068</u>	<u>841 068</u>
Totals	<u>\$ 1 813 211</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 858 519</u>	<u>\$ 2 671 730</u>

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D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2013 consisted of the following individual fund amounts:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund:		
Special Revenue Fund	\$	\$
Special Revenue Fund:		
General Fund	<u> </u>	<u> </u>
Totals	<u>\$ 0</u>	<u>\$ 0</u>

Interfund transfers for the year ended June 30, 2013 consisted of the following individual fund amounts:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Capital Projects	\$	\$ 275 000
Capital Projects Fund:		
General Fund	<u>275 000</u>	<u> </u>
Totals	<u>\$ 275 000</u>	<u>\$ 275 000</u>

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E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2013, were as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total
Property Taxes (Net)	\$ 989 947	\$ 139 358	\$	\$	\$ 1 129 305
Other Governments	1 813 211			858 519	2 671 730
Other Funds					
Other Receivables	67 437			129 853	197 290
Totals	<u>\$ 2 870 595</u>	<u>\$ 139 358</u>	<u>\$ 0</u>	<u>\$ 988 372</u>	<u>\$ 3 998 325</u>

Payables at June 30, 2013, were as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total
Accounts Payable	\$ 50 566	\$	\$	\$ 36 548	\$ 87 114
Payroll Deductions	21 040				21 040
Accrued Wages	1 836 079			225 632	2 061 711
Other Funds					
Other Governments				10 198	10 198
Totals	<u>\$ 1 907 685</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 272 378</u>	<u>\$ 2 180 063</u>

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F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
Governmental Activities:				
Land	\$ 3 012 032	\$ 0	\$ 0	\$ 3 012 032
Buildings & Improvements	47 388 915	29 751	6 543 578	53 962 244
Furniture & Equipment	4 824 933	458 680	* 505 000	5 788 613
Non Depreciable Assets	18 117	0	0	18 117
Construction In Progress	3 512 920	3 044 224	(6 543 578)	13 566
Total at Historical Cost	58 756 917	3 532 655	505 000	62 794 572
Less Accumulated Depreciation for:				
Buildings & Improvements	18 069 778	1 802 512	0	19 872 290
Furniture and Equipment	3 645 135	344 922	0	3 990 057
Total Accumulated Depreciation	21 714 913	2 147 434	0	23 862 347
Governmental Activities Capital Assets, Net	\$ 37 042 004	\$ 1 385 221	\$ 505 000	\$ 38 932 225

Depreciation expense was charged to governmental functions as follows:

11	Instruction	\$ 1 392 012
12	Instructional Resources and Media Services	32 262
13	Curriculum Development and Instructional Staff Development	635
21	Instructional Leadership	1 568
23	School Leadership	77 745
31	Guidance, Counseling and Evaluation Services	893
33	Health Services	1 542
34	Student (Pupil) Transportation	172 375
35	Food Services	110 553
36	Cocurricular/Extracurricular Activities	294 238
41	General Administration	5 855
51	Plant Maintenance and Operations	45 822
52	Security and Monitoring Services	5 325
53	Data Processing Services	6 609
Total Depreciation Expense		\$ 2 147 434

*NOTE: \$505,000 is the estimated value of the donated scoreboard and related equipment at Bruce Field.

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G. BONDS PAYABLE

Bonded indebtedness of the District is reflected in the Long-Term Debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in bonds payable for the year ended June 30, 2013 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 7/1/12</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 6/30/13</u>	<u>Interest Current Year</u>
Unlimited Tax Refunding Bonds Series 2005	3.15% to 4.88%	\$15 295 000	\$ 10 877 543		\$ 1 160 000	\$ 9 717 543	\$ 380 450
Unlimited Tax School Building Bonds Series 2009	3.00% to 3.7%	3 750 000	\$ 3 420 000		\$ 180 000	\$ 3 240 000	\$ 111 158
Unlimited Tax Qualified School Construction Bonds Series 2011	4.55%	\$ 6 525 000	\$ 6 525 000		\$	\$ 6 525 000	\$ 296 887
Totals			<u>\$ 20 822 543</u>	<u>\$ 0</u>	<u>\$ 1 340 000</u>	<u>\$ 19 482 543</u>	<u>\$ 788 495</u>

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Debt service requirements are as follows:

Year Ended June 30	General Obligations				Federal Interest Subsidy Amount "QSCB"
	Principal	Sinking Fund	Interest	Total Requirements	
2014	\$ 1 410 000	\$	\$ 729 432	\$ 2 139 432	\$ (296 887)
2015	1 480 000		667 183	2 147 183	(296 888)
2016	1 545 000		601 807	2 146 807	(296 887)
2017	1 625 000		533 358	2 158 358	(296 888)
2018	1 705 000		464 064	2 169 064	(296 887)
2019-2023	4 517 543	2 470 000	3 340 858	10 328 401	(1 484 438)
2024-2025	675 000	4 055 000	767 306	5 497 306	(742 219)
Totals	<u>\$ 12 957 543</u>	<u>\$ 6 525 000</u>	<u>\$ 7 104 008</u>	<u>\$ 26 586 551</u>	<u>\$ (3 711 094)</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2013.

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statement. As of June 30, 2013 \$ 10,050,000 of bonds considered defeased are still outstanding.

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H. LOANS PAYABLE

The District accounts for short-term debts for maintenance purposes through the General Fund. Short-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The proceeds from long-term loans are shown in the financial statements as Other Resources and principal and interest payments are shown as debt service in the General Fund.

A Maintenance Tax Refunding Bonds, Series 2009, loan of \$1,960,000 was issued on August 18, 2009 for the purpose of refunding the Series 2002 loan used for property renovations and repairs as authorized by Texas Education Code Section 45.104, as amended. The loan is to be repaid in semi-annual payments beginning February 15, 2010. The interest rates are 2.0% to 3.5%.

A Maintenance Tax Notes, Series 2009, loan of \$2,805,000 was issued on August 18, 2009 for the purpose of paying maintenance expenses of the District as authorized by Texas Education Code Section 45.108, as amended. The loan is to be repaid in semi-annual payments beginning February 15, 2010. The interest rates are 3.75% to 4.6%.

A summary of changes in loans payable for the year ended June 30, 2013 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 7/1/12</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 6/30/13</u>	<u>Interest Current Year</u>
Maintenance Tax Refunding Bonds Series 2009	2.0% to 3.5%	\$ 1 960 000	\$ 1 435 000	\$	\$ 185 000	\$ 1 250 000	\$ 44 290
Maintenance Tax Note Series 2009	3.75% to 4.60%	\$ 2 805 000	\$ 2 805 000	\$	\$	\$ 2 805 000	\$ 120 253
Totals			<u>\$ 4 240 000</u>	<u>\$ 0</u>	<u>\$ 185 000</u>	<u>\$ 4 055 000</u>	<u>\$ 164 543</u>

Debt service requirements are as follows:

<u>Year Ended June 30</u>	<u>General Obligations</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 190 000	\$ 159 917	\$ 349 917
2015	200 000	154 693	354 693
2016	205 000	148 693	353 693
2017	210 000	142 542	352 542
2018	220 000	135 717	355 717
2019-2023	1 205 000	553 750	1 758 750
2024-2028	1 485 000	282 050	1 767 050
2029	340 000	15 640	355 640
Totals	<u>\$ 4 055 000</u>	<u>\$ 1 593 002</u>	<u>\$ 5,648,002</u>

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I. CAPITAL LEASES PAYABLE

The proceeds of capital lease agreements are shown in the financial statements as Other Resources and lease principal and interest payments are shown as debt services of the appropriate fund.

The District acquired five buses on July 8, 2008 under a long-term, noncancellable (capital) lease agreement, authorized under Local Government Code Section 34.009. The capitalized cost in the General Capital Assets Account Group at June 30, 2013 was \$452,791. This capital lease was repaid during the current fiscal year. The effective interest rate was 4.23%.

A summary of changes in capital leases payable for the year ended June 30, 2013 is as follows:

<u>Description/ Purpose</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 7/1/12</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 6/30/13</u>	<u>Interest Current Year</u>
Buses	4.23%	\$ 452,791	\$ 94,227	\$	\$ 94,227	\$ 0	\$ 3,986
Totals			<u>\$ 94,227</u>	<u>\$ 0</u>	<u>\$ 94,227</u>	<u>\$ 0</u>	<u>\$ 3,986</u>

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J. CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	<u>Additions</u>	<u>Reductions</u>	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 20,822,543	\$ _____	\$ 1,340,000	\$ 19,482,543	\$ 1,410,000
Accretion Payable:					
Capital Appreciation Bonds	<u>610,477</u>	<u>107,720</u>	_____	718,197	<u>0</u>
Loans Payable:					
Maintenance Tax Notes	<u>4,240,000</u>	_____	<u>185,000</u>	4,055,000	<u>190,000</u>
Capital Lease Payable:					
Lease Agreements	<u>94,227</u>	_____	<u>94,227</u>	0	<u>0</u>
Premium (Discount) on Issuance of Bonds:					
Premium	<u>107,542</u>	_____	<u>30,501</u>	<u>77,041</u>	<u>0</u>
Total Governmental Activities Long-term Liabilities					
	<u>\$ 25,874,789</u>	<u>\$ 107,720</u>	<u>\$ 1,649,728</u>	<u>\$ 24,332,781</u>	<u>\$ 1,600,000</u>

K. UNEARNED REVENUE AND UNAVAILABLE REVENUE

Unearned revenue at the fiscal year-end consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	<u>Total</u>
State Foundation	\$ 66,498	\$ _____	\$ _____	\$ _____	\$ 66,498
Facilities Lease	21,600	_____	_____	_____	21,600
Textbook Fund	_____	_____	_____	24,345	24,345
Campus Activity	_____	_____	_____	<u>260</u>	<u>260</u>
Totals	<u>\$ 88,098</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 24,605</u>	<u>\$ 112,703</u>

Unavailable revenue at the fiscal year end consisted of the following:

Net Property Taxes	<u>\$ 989,947</u>	<u>\$ 139,358</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,129,305</u>
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L. FUND BALANCE

Fund Balance is classified as nonspendable, restricted, committed, assigned and/or unassigned. The individual fund balances of the District are:

<u>Fund Balance</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
Nonspendable:					
Inventory	\$	\$	\$	\$ 36 276	\$ 36 276
Prepaid Items	<u>83 529</u>				<u>83 529</u>
Total Nonspendable	<u>83 529</u>			<u>36 276</u>	<u>119 805</u>
Restricted:					
Federal Grants				351 247	351 247
State Grants				491	491
Debt Service		1 720 228			1 720 228
Capital Projects			57 419		57 419
Other				<u>9 568</u>	<u>9 568</u>
Total Restricted		<u>1 720 228</u>	<u>57 419</u>	<u>361 306</u>	<u>2 138 953</u>
Committed:					
Construction	<u>1 500 000</u>		<u>658 848</u>		<u>2 158 848</u>
Total Committed	<u>1 500 000</u>		<u>658 848</u>		<u>2 158 848</u>
Assigned:					
Campus Activity				<u>200 944</u>	<u>200 944</u>
Total Assigned				<u>200 944</u>	<u>200 944</u>
Unassigned	<u>8 034 202</u>				<u>8 034 202</u>
Total Fund Balances	<u>\$ 9 617 731</u>	<u>\$ 1 720 228</u>	<u>\$ 716 267</u>	<u>\$ 598 526</u>	<u>\$ 12 652 752</u>

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M. LOCAL AND INTERMEDIATE SOURCES OF REVENUES

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 12 265 675	\$ 1 762 198	\$	\$	\$ 14 027 873
Penalties, Interest & Other					
Tax Related Income	236 045	33 635			269 680
Food Sales				338 529	338 529
Investment Income	46 794	5 227	4 674	1 128	57 823
Co-curricular Student					
Activities	64 238			200 944	265 182
Other	65 670			107 450	173 120
Totals	<u>\$ 12 678 422</u>	<u>\$ 1 801 060</u>	<u>\$ 4 674</u>	<u>\$ 648 051</u>	<u>\$ 15 132 207</u>

N. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provided for minimum future rental payments as of June 30, 2013, as follows:

<u>Year Ended June 30</u>	<u>Total</u>
2014	\$ 128 608
2015	124 915
2016	54 534
2017	26 934
2018	15 743
Total Minimum Rentals	<u>\$ 350 734</u>
Rental Expenditures in Fiscal Year 2013	<u>\$ 123 338</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

O. PENSION PLAN

Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapter 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy

The state contribution rate is 6.0% and the member contribution rate is 6.4%. In certain instances the District is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium by the Legislature of the State of Texas.

The District's employees' contributions to the System for the years ending June 30, 2011, June 30, 2012 and June 30, 2013 were \$1,157,671, \$1,075,536 and \$1,060,436, respectively. Other contributions made from federal and private grants and from the district for salaries above the statutory minimum for the years ending June 30, 2011, June 30, 2012 and June 30, 2013 were \$176,464, \$192,677 and \$185,640, respectively.

The on behalf amounts contributed by the State, \$915,284, are reflected in the financial statements in the General Fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24.

P. HEALTH CARE

During the year ended June 30, 2013 employees of the Athens Independent School District were covered by the state sponsored health insurance plan. The district paid premiums of \$300 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents.

All premiums were paid to TRS-ActiveCare, the statewide health coverage program for public education employees administered by Blue Cross and Blue Shield of Texas and Medco Health. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and TRS-ActiveCare (Blue Cross/Blue Shield) is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross/Blue Shield are available for the most recent year and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

Q. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description

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

Medicare Part D:

Federal Government Retiree Drug Subsidy - Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by the District. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire payroll reported by all reporting entities. The amount allocated on-behalf for the year ended June 30, 2013 is estimated by TRS at \$61,821.

R. COMPENSATED ABSENCES

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment.

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

S. CONSTRUCTION AND OTHER COMMITMENTS AND CONTINGENCIES

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2013 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

T. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. During fiscal year 2013 the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

U. UNAMORTIZED DEBT ISSUANCE COSTS

GASB Statement 65 provides standards of accounting and financial reporting for debt issuance costs. These costs are now reported as current debt related expenditures and are no longer capitalized and amortized over the life of the debt issue. For the current year, this change in the standard requires an adjustment on Exhibit B-1 to record a reduction to the beginning net position in order to recognize all prior unamortized debt issuance costs.

REQUIRED SUPPLEMENTARY INFORMATION

ATHENS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

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	\$ 12,023,476	\$ 12,053,330	\$ 12,678,422	\$ 625,092
5800	State Program Revenues	11,308,436	11,308,436	10,959,077	(349,359)
5900	Federal Program Revenues	250,000	250,000	521,987	271,987
5020	Total Revenues	23,581,912	23,611,766	24,159,486	547,720
EXPENDITURES:					
Current:					
0011	Instruction	12,734,912	12,764,078	12,501,558	262,520
0012	Instructional Resources and Media Services	355,000	355,000	319,334	35,666
0013	Curriculum and Instructional Staff Development	65,000	65,000	37,642	27,358
0021	Instructional Leadership	310,000	310,000	278,471	31,529
0023	School Leadership	1,525,000	1,500,000	1,460,126	39,874
0031	Guidance, Counseling and Evaluation Services	740,000	715,000	684,726	30,274
0033	Health Services	202,000	182,000	153,556	28,444
0034	Student (Pupil) Transportation	1,205,000	1,200,008	1,120,676	79,332
0036	Extracurricular Activities	1,050,000	1,010,000	953,030	56,970
0041	General Administration	1,150,000	1,024,000	884,034	139,966
0051	Facilities Maintenance and Operations	2,900,000	2,850,000	2,560,729	289,271
0052	Security and Monitoring Services	200,000	216,680	187,119	29,561
0053	Data Processing Services	427,000	427,000	357,967	69,033
Debt Service:					
0071	Principal on Long Term Debt	279,230	279,230	279,227	3
0072	Interest on Long Term Debt	168,990	168,990	168,528	462
0073	Bond Issuance Cost and Fees	7,780	7,780	1,000	6,780
Intergovernmental:					
0099	Other Intergovernmental Charges	262,000	262,000	259,651	2,349
6030	Total Expenditures	23,581,912	23,336,766	22,207,374	1,129,392
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	275,000	1,952,112	1,677,112
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	(275,000)	(275,000)	-
7080	Total Other Financing Sources (Uses)	-	(275,000)	(275,000)	-
1200	Net Change in Fund Balances	-	-	1,677,112	1,677,112
0100	Fund Balance - July 1 (Beginning)	7,940,619	7,940,619	7,940,619	-
3000	Fund Balance - June 30 (Ending)	\$ 7,940,619	\$ 7,940,619	\$ 9,617,731	\$ 1,677,112

COMBINING STATEMENTS

ATHENS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
ASSETS				
1110 Cash and Cash Equivalents	\$ (77,345)	\$ (102,093)	\$ (777)	\$ (471,466)
1240 Receivables from Other Governments	151,502	132,243	2,211	504,381
1290 Other Receivables	-	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 74,157</u>	<u>\$ 30,150</u>	<u>\$ 1,434</u>	<u>\$ 32,915</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ 1,327	\$ -	\$ 9,936
2160 Accrued Wages Payable	74,157	28,823	1,434	22,979
2180 Due to Other Governments	-	-	-	-
2300 Unearned Revenues	-	-	-	-
2000 Total Liabilities	<u>74,157</u>	<u>30,150</u>	<u>1,434</u>	<u>32,915</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
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>\$ 74,157</u>	<u>\$ 30,150</u>	<u>\$ 1,434</u>	<u>\$ 32,915</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	287 Education Jobs Fund	289 Summer School LEP	385 Visually Impaired SSVI
\$ 370,441	\$ (8,232)	\$ (3,603)	\$ (4,285)	\$ (4,540)	\$ -	\$ -	\$ -
5,756	9,732	10,438	12,206	12,599	-	-	-
-	-	-	-	-	-	-	-
36,276	-	-	-	-	-	-	-
<u>\$ 412,473</u>	<u>\$ 1,500</u>	<u>\$ 6,835</u>	<u>\$ 7,921</u>	<u>\$ 8,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 21,837	\$ 1,500	\$ 638	\$ -	\$ -	\$ -	\$ -	\$ -
3,113	-	6,197	7,921	8,059	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
24,950	1,500	6,835	7,921	8,059	-	-	-
36,276	-	-	-	-	-	-	-
351,247	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
387,523	-	-	-	-	-	-	-
<u>\$ 412,473</u>	<u>\$ 1,500</u>	<u>\$ 6,835</u>	<u>\$ 7,921</u>	<u>\$ 8,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

Data Control Codes	397 Advanced Placement Incentives	404 Student Success Initiative	410 State Textbook Fund	427 Ready To Read License Plate
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ 23,001	\$ 45
1240 Receivables from Other Governments	-	12,199	1,790	-
1290 Other Receivables	-	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ -</u>	<u>\$ 12,199</u>	<u>\$ 24,791</u>	<u>\$ 45</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	-	12,199	-	-
2180 Due to Other Governments	-	-	-	-
2300 Unearned Revenues	-	-	24,345	-
2000 Total Liabilities	<u>-</u>	<u>12,199</u>	<u>24,345</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	446	45
3490 Other Restricted Fund Balance	-	-	-	-
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>446</u>	<u>45</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 12,199</u>	<u>\$ 24,791</u>	<u>\$ 45</u>

429 District Awards Teacher Excel	461 Campus Activity Funds	480 Dairy Max Grant	494 Teacher Incentive Fund	496 Athens Public Education Grant	497 Texas High School Project	498 Murchison Foundation Pinnacle ECHS	Total Nonmajor Governmental Funds
\$ (1,178)	\$ 212,712	\$ 4,500	\$ (71,387)	\$ 4,600	\$ 44	\$ 424	\$ (129,139)
3,462	-	-	-	-	-	-	858,519
-	-	-	129,853	-	-	-	129,853
-	-	-	-	-	-	-	36,276
<u>\$ 2,284</u>	<u>\$ 212,712</u>	<u>\$ 4,500</u>	<u>\$ 58,466</u>	<u>\$ 4,600</u>	<u>\$ 44</u>	<u>\$ 424</u>	<u>\$ 895,509</u>
\$ -	\$ 1,310	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,548
2,284	-	-	58,466	-	-	-	225,632
-	10,198	-	-	-	-	-	10,198
-	260	-	-	-	-	-	24,605
<u>2,284</u>	<u>11,768</u>	<u>-</u>	<u>58,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>296,983</u>
-	-	-	-	-	-	-	36,276
-	-	-	-	-	-	-	351,738
-	-	4,500	-	4,600	44	424	9,568
-	200,944	-	-	-	-	-	200,944
<u>-</u>	<u>200,944</u>	<u>4,500</u>	<u>-</u>	<u>4,600</u>	<u>44</u>	<u>424</u>	<u>598,526</u>
<u>\$ 2,284</u>	<u>\$ 212,712</u>	<u>\$ 4,500</u>	<u>\$ 58,466</u>	<u>\$ 4,600</u>	<u>\$ 44</u>	<u>\$ 424</u>	<u>\$ 895,509</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	858,900	590,198	12,843	506,983
5020 Total Revenues	<u>858,900</u>	<u>590,198</u>	<u>12,843</u>	<u>506,983</u>
EXPENDITURES:				
Current:				
0011 Instruction	659,997	424,908	12,843	448,794
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	29,499	64,908	-	10,304
0021 Instructional Leadership	77,882	54,972	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	17,131	45,410	-	19,522
0033 Health Services	-	-	-	28,363
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	22,237	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	4,832	-	-	-
0061 Community Services	47,322	-	-	-
6030 Total Expenditures	<u>858,900</u>	<u>590,198</u>	<u>12,843</u>	<u>506,983</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	287 Education Jobs Fund	289 Summer School LEP	385 Visually Impaired SSVI
\$ 339,657	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,824	-	-	-	-	-	-	2,300
1,403,155	57,112	72,561	72,982	85,093	31,080	3,346	-
<u>1,752,636</u>	<u>57,112</u>	<u>72,561</u>	<u>72,982</u>	<u>85,093</u>	<u>31,080</u>	<u>3,346</u>	<u>2,300</u>
-	57,112	71,124	72,982	62,933	31,080	3,346	2,300
-	-	-	-	-	-	-	-
-	-	1,437	-	20,617	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,591,195	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
20,000	-	-	-	-	-	-	-
-	-	-	-	1,543	-	-	-
-	-	-	-	-	-	-	-
<u>1,611,195</u>	<u>57,112</u>	<u>72,561</u>	<u>72,982</u>	<u>85,093</u>	<u>31,080</u>	<u>3,346</u>	<u>2,300</u>
141,441	-	-	-	-	-	-	-
246,082	-	-	-	-	-	-	-
<u>\$ 387,523</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes	397 Advanced Placement Incentives	404 Student Success Initiative	410 State Textbook Fund	427 Ready To Read License Plate
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 250	\$ -	\$ -	\$ -
5800 State Program Revenues	-	12,199	100,974	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>250</u>	<u>12,199</u>	<u>100,974</u>	<u>-</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	12,199	100,974	-
0012 Instructional Resources and Media Services	-	-	-	179
0013 Curriculum and Instructional Staff Development	250	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>250</u>	<u>12,199</u>	<u>100,974</u>	<u>179</u>
1200 Net Change in Fund Balance	-	-	-	(179)
0100 Fund Balance - July 1 (Beginning)	-	-	446	224
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 446</u>	<u>\$ 45</u>

429 District Awards Teacher Excel	461 Campus Activity Funds	480 Dairy Max Grant	494 Teacher Incentive Fund	496 Athens Public Education Grant	497 Texas High School Project	498 Murchison Foundation Pinnacle ECHS	Total Nonmajor Governmental Funds
\$ -	\$ 200,944	\$ -	\$ -	\$ 17,200	\$ -	\$ 90,000	\$ 648,051
73,228	-	-	596,736	-	-	2,000	797,261
-	-	-	-	-	-	-	3,694,253
<u>73,228</u>	<u>200,944</u>	<u>-</u>	<u>596,736</u>	<u>17,200</u>	<u>-</u>	<u>92,000</u>	<u>5,139,565</u>
66,484	(14)	-	551,194	16,154	-	121,750	2,716,160
-	-	-	-	-	-	-	179
-	-	-	33,896	-	-	161	161,072
-	-	-	-	-	-	-	132,854
1,500	-	-	6,044	-	-	-	7,544
-	-	-	-	-	-	-	82,063
-	-	-	-	-	-	-	28,363
2,684	-	-	-	-	-	-	1,593,879
-	211,238	-	-	-	-	-	211,238
-	-	-	5,602	-	-	-	27,839
2,560	-	-	-	-	-	-	22,560
-	-	-	-	-	-	-	6,375
-	-	-	-	-	-	-	47,322
<u>73,228</u>	<u>211,224</u>	<u>-</u>	<u>596,736</u>	<u>16,154</u>	<u>-</u>	<u>121,911</u>	<u>5,037,448</u>
-	(10,280)	-	-	1,046	-	(29,911)	102,117
-	211,224	4,500	-	3,554	44	30,335	496,409
<u>\$ -</u>	<u>\$ 200,944</u>	<u>\$ 4,500</u>	<u>\$ -</u>	<u>\$ 4,600</u>	<u>\$ 44</u>	<u>\$ 424</u>	<u>\$ 598,526</u>

REQUIRED TEA SCHEDULES

ATHENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2013

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ Various
2005	1.385000	0.115000	834,659,733
2006	1.454000	0.116000	850,712,573
2007	1.329260	0.116000	930,094,032
2008	1.037380	0.116000	994,276,441
2009	1.037380	0.116000	1,048,529,594
2010	1.037380	0.149090	1,137,304,695
2011	1.037380	0.149090	1,141,663,954
2012	1.037380	0.149090	1,164,508,362
2013 (School year under audit)	1.037380	0.149090	1,189,283,883
1000 TOTALS			

(10) Beginning Balance 7/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2013
\$ 146,049	\$ -	\$ 2,635	\$ 873	\$ (3,062)	\$ 139,479
28,261	-	931	77	(210)	27,043
37,515	-	1,617	129	(20)	35,749
39,255	-	4,399	384	(1,049)	33,423
33,855	-	3,305	370	(1,358)	28,822
48,090	-	7,537	843	(1,447)	38,263
83,826	-	16,249	2,335	(5,873)	59,369
185,227	-	79,596	11,440	(6,567)	87,624
590,714	-	354,682	50,974	(14,299)	170,759
-	14,110,496	11,809,226	1,697,196	(72,253)	531,821
<u>\$ 1,192,792</u>	<u>\$ 14,110,496</u>	<u>\$ 12,280,177</u>	<u>\$ 1,764,621</u>	<u>\$ (106,138)</u>	<u>\$ 1,152,352</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 185,476	\$ 530,947	\$ -	\$ -	\$ 716,423
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	21,250	-	-	-	-	-	21,250
6212	Audit Services	-	-	-	22,500	-	-	22,500
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	276,757	-	-	-	-	276,757
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	600	4,392	-	-	4,992
6240	Contr. Maint. and Repair	-	-	-	-	2,845	-	2,845
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	2,304	-	-	2,304
6290	Miscellaneous Contr.	9,449	-	1,448	3,100	-	-	13,997
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	7,502	298	1,177	31,957	-	-	40,934
6410	Travel, Subsistence, Stipends	14,530	-	2,597	9,979	-	-	27,106
6420	Ins. and Bonding Costs	11,878	-	-	-	-	-	11,878
6430	Election Costs	9,402	-	-	-	-	-	9,402
6490	Miscellaneous Operating	-	-	2,845	15,071	3,220	-	21,136
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 74,011	\$ 277,055	\$ 194,143	\$ 620,250	\$ 6,065	\$ -	\$ 1,171,524

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 27,244,881

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 144,981
Total Debt & Lease(6500)	(11)	448,755
Plant Maintenance (Function 51, 6100-6400)	(12)	2,564,996
Food (Function 35, 6341 and 6499)	(13)	-
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		620,250

SubTotal: 3,778,983

Net Allowed Direct Cost \$ 23,465,898

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 53,962,244
Historical Cost of Building over 50 years old	(16)	\$ 1,319,464
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 5,788,613
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 634,246
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.
 \$259,651 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

ATHENS INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 6/30/13 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 9,617,731
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 83,529	
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)	1,500,000	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	1,500,000	
7	Estimate of two month's average cash disbursements during the fiscal year.	4,000,000	
8	Estimate of delayed payments from state sources (58xx).	1,599,288	
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.	147,425	
10	Estimate of delayed payments from federal sources (59xx)	841,068	
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>9,671,310</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u><u>\$ (53,579)</u></u>

ATHENS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2013

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	\$ 339,960	\$ 339,960	\$ 339,657	\$ (303)
5800 State Program Revenues	10,992	10,992	9,824	(1,168)
5900 Federal Program Revenues	1,369,648	1,369,648	1,403,155	33,507
5020 Total Revenues	1,720,600	1,720,600	1,752,636	32,036
EXPENDITURES:				
0035 Food Services	1,700,600	1,700,600	1,591,195	109,405
0051 Facilities Maintenance and Operations	20,000	20,000	20,000	-
6030 Total Expenditures	1,720,600	1,720,600	1,611,195	109,405
1200 Net Change in Fund Balances	-	-	141,441	141,441
0100 Fund Balance - July 1 (Beginning)	246,082	246,082	246,082	-
3000 Fund Balance - June 30 (Ending)	\$ 246,082	\$ 246,082	\$ 387,523	\$ 141,441

ATHENS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2013

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	\$ 1,834,621	\$ 1,834,621	\$ 1,801,060	\$ (33,561)
5900	Federal Program Revenues	296,887	296,887	296,888	1
5020	Total Revenues	2,131,508	2,131,508	2,097,948	(33,560)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	1,340,000	1,340,000	1,340,000	-
0072	Interest on Long Term Debt	789,295	789,295	788,495	800
0073	Bond Issuance Cost and Fees	2,213	2,213	1,731	482
6030	Total Expenditures	2,131,508	2,131,508	2,130,226	1,282
1200	Net Change in Fund Balances	-	-	(32,278)	(32,278)
0100	Fund Balance - July 1 (Beginning)	1,752,506	1,752,506	1,752,506	-
3000	Fund Balance - June 30 (Ending)	\$ 1,752,506	\$ 1,752,506	\$ 1,720,228	\$ (32,278)

COMPLIANCE, INTERNAL CONTROL AND FEDERAL AWARDS

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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**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***

Independent Auditor's Report

Board of School Trustees
Athens Independent School District
104 Hawn Street
Athens, Texas 75751

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 8, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



SMITH, LAMBRIGHT & ASSOCIATES, P. C.
Certified Public Accountants

October 8, 2013

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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**Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance;
and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Independent Auditor's Report

Board of School Trustees
Athens Independent School District
104 Hawn Street
Athens, Texas 75751

Report on Compliance for Each Major Federal Program

We have audited the District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the District as of and for the year ended June 30, 2013, and have issued our report thereon dated October 8, 2013 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,



SMITH, LAMBRIGHT & ASSOCIATES, P. C.
Certified Public Accountants

October 8, 2013

ATHENS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR YEAR ENDED JUNE 30, 2013

I. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant Deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section ____ .510 (a), OMB Circular A-133? _____ yes X no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster
10.533	School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low risk auditee? X yes _____ no

District Contact Person: Randy D. Jones, C.P.A.
 Chief Financial Officer

ATHENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

II. Financial Statement Findings

The audit disclosed no finding required to be reported.

III. Federal Awards Findings and Questioned Costs

The audit disclosed no finding required to be reported.

ATHENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

N/A

ATHENS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2013

N/A

ATHENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12-610101107901	\$ 64,725
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13-610101107901	794,175
Total CFDA Number 84.010A			<u>858,900</u>
Total Title I, Part A Cluster			<u>858,900</u>
**IDEA - Part B, Formula	84.027	12-660001107901	108,032
**IDEA - Part B, Formula	84.027	13-660001107901	482,166
**IDEA - Part B, Discretionary	84.027	12-660006107901	2,602
**IDEA - Part B, Discretionary	84.027	13-660006107901	504,381
Total CFDA Number 84.027			<u>1,097,181</u>
**IDEA - Part B, Preschool	84.173	13-661001107901	12,843
Total Special Education Cluster (IDEA)			<u>1,110,024</u>
Career and Technical - Basic Grant	84.048	13-420006107901	57,112
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	12-696001107901	12,506
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	13-696001107901	72,587
Total CFDA Number 84.358B			<u>85,093</u>
Title III, Part A - English Language Acquisition	84.365A	12-671001107901	20,071
Title III, Part A - English Language Acquisition	84.365A	13-671001107901	52,911
Total CFDA Number 84.365A			<u>72,982</u>
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12-694501107901	9,537
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13-694501107901	63,024
Total CFDA Number 84.367A			<u>72,561</u>
Education Jobs Fund- ARRA	84.410	11-550101107901	31,080
Summer School-LEP	84.369A	13-69551102	3,346
Total Passed Through State Department of Education			<u>\$ 2,291,098</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 2,291,098</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
***School Breakfast Program	10.553		\$ 325,477
***National School Lunch Program-Cash Assistance	10.555		979,754
***National School Lunch Prog.-Non-Cash Assistance	10.555		97,924
Total CFDA Number 10.555			<u>1,077,678</u>
Total Child Nutrition Cluster			<u>1,403,155</u>
Total Passed Through the State Department of Agriculture			<u>\$ 1,403,155</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 1,403,155</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,694,253</u>

*Clustered Programs
**Clustered Programs
***Clustered Programs

ATHENS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2013

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures

Note A - Funds received from the Texas Medicaid and Healthcare Partnership program of \$341,469 in the General Fund are not considered as federal financial assistance for purposes of this schedule.

Note B - Funds received from ESC Region 7 for Head Start reimbursements of \$180,518 in the General Fund are not considered as federal financial assistance for purposes of this schedule.

Note C - The District received a direct federal subsidy of \$296,888 for the federal interest rebate related to the Qualified School Construction Bonds. The subsidy is reported in the Debt Service Fund and is not considered as federal financial assistance for purposes of this schedule.

ATHENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A - 133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of School Trustees
Athens Independent School District
104 Hawn
Athens, Texas 75751

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, when applicable, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 5, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimates affecting the financial statements were:

Managements estimate of the uncollectible accounts and accumulated depreciation. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Audit Differences and Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statement themselves.

General Audit Comments, Findings or Issues

In connection with the annual audit of the records of the Athens Independent School District as of June 30, 2013, we offer the following additional comments:

1. Accounting Records:

Overall, the accounting records are maintained well and are in compliance with the requirements of the TEA Resource Guide. The supporting documents were orderly and readily available. Normal adjusting audit entries were made and approved by the District's staff.

2. Budget Variances:

There were no unfavorable variances in the budget for expenditures in the general fund, food service fund, or the debt service fund as shown on the exhibits in the audit report.

3. Cash and Investments:

The bank accounts and investment accounts had been reconciled and balanced to the general ledger.

During this fiscal year the District had investments in the First Public/Lone Star Investment Pool, TexSTAR and Texas CLASS.

4. Fund Balance:

The fund balance in the general fund at June 30 was \$9,617,731, which was an increase of \$1,677,112 from the prior year. The fund balance of the debt service fund was \$1,720,228. The fund balance in the capital projects fund was \$716,267, which includes \$57,419 of remaining bond proceeds. The fund balance in the special revenue fund - food service was \$387,523, which was an increase of \$141,441 from the prior year.

5. Bonded Debt

The District was in compliance with the requirements of the bond resolution. As of June 30, there were adequate funds in the debt service fund to meet the August 15 bond payment.

6. Compliance:

We noted that the District was in substantial compliance with the various state requirements of bidding, bank depository, and the Public Funds Investment Act.

This information is intended solely for the use of those charged with governance, including the audit committee, Board of Trustees and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,



SMITH, LAMBRIGHT & ASSOCIATES, P. C.
Certified Public Accountants

October 8, 2013