

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
Athens, Texas 75711

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Table of Contents	1
	Certificate of Board	3
	Independent Auditor's Report	4
	Management's Discussion and Analysis	7
	Financial Statements:	
	Government - Wide Financial Statements:	
A-1	Statement of Net Position	14
B-1	Statement of Activities	15
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	16
C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances	18
C-4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
	Proprietary Fund Financial Statements:	
D-1	Statement of Net Position	N/A
D-2	Statement of Revenues, Expenses, and Changes in Fund Assets	N/A
D-3	Statement of Cash Flows	N/A
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Position	20
E-2	Statement of Changes in Fiduciary Net Position	21
	Notes to the Financial Statements	22
	Required Supplementary Information:	
G-1	Budgetary Comparison Schedule - General Fund	53
G-2	Schedule of the District's Proportionate Share of the Net Pension Liability- Teachers Retirement System	54
G-3	Schedule of District Contributions - Teachers Retirement System	55
	Notes to Required Supplementary Information	56
	Combining Statements:	
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet	57
H-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	59

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS, CONTINUED

<u>Exhibit</u>		<u>Page</u>
 Required TEA Schedules:		
J-1	Schedule of Delinquent Taxes Receivable	61
J-2	Schedule of Expenditures for Computation of Indirect Cost	N/A
J-3	Fund Balance and Cash Flow Calculation Worksheet	62
J-4	Budgetary Comparison Schedule - Child Nutrition Fund	63
J-5	Budgetary Comparison Schedule - Debt Service Fund	64
 Compliance, Internal Control and Federal Awards:		
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65
	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	67
	Schedule of Findings and Questioned Costs	69
	Schedule of Status of Prior Findings	71
	Corrective Action Plan	72
K-1	Schedule of Expenditures of Federal Awards	73
	Notes to the Schedule of Expenditures of Federal Awards	75

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, 2015 at a meeting of the board of school trustees of such school district on the 26TH day of OCTOBER, 2015.



Signature of Board Secretary



Signature of Board President

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

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

Marlin R. Smith, CPA
J. W. Lambright, CPA

Cheri E. Kirkland, CPA
Chris M. Johnson, CPA

P. O. Box 912
505 E. Tyler
Athens, Texas 75751
(903) 675-5674
FAX (903) 675-5676
smithlambright.com

**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, 2015, 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 Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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, 2015, 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.

Emphasis of Matter

As discussed in Note I to the financial statements, in 2015, the District adopted new accounting guidance prescribed by GASB Statement No. 68 for its pension plan - a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. Because GASB Statement No. 68 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements. Exhibit A-1 discloses the District's Net Pension Liability and some deferred resource outflows and deferred resource inflows related to the District's pension plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Position. Our opinion is not modified with respect to the matter.

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, schedule of district's proportionate share of the net pension liability - TRS, 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 Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule - general fund, schedule of district's proportionate share of the net pension liability - TRS, 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, schedule of district's proportionate share of the net pension liability - TRS, 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 19, 2015 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.

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

October 19, 2015

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, 2015. 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, 2014 through June 30, 2015. The District's net position on a government-wide basis increased \$84,087 as a result of this period's operations (Exhibit B-1) after a prior period downward adjustment of \$2,475,303 to comply with new accounting disclosures related to TRS pension matters. The increase is primarily reflected in an increase of net capital assets construction work in progress, a decrease in cash and cash equivalents, a decrease in current investments, an increase in the amount due from other governments and an increase 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 \$26,165,557, representing \$2,615,319 more than the \$23,550,238 of operating expenditures (Exhibit C-3). The District transferred \$4,616,276 from the General Fund to the Capital Projects Fund to expand the high school fine arts facilities, add classrooms to an elementary campus and acquire new buses. This utilized \$1,500,000 of fund balance that had previously been committed for future construction and capital purposes.

The District General Fund ended the year with a fund balance of \$ 8,857,844 (Exhibit C-3). The decrease of \$2,000,957 in fund balance represents the effect of operations and the transfers discussed above. The district benefited from favorable property tax collections, enrollment and attendance, higher than expected federal program revenues representing the benefits of the School Health and Related Services program 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 \$29,647,294 to \$29,731,381. 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 – decreased by \$2,337,243 to \$9,904,303 as of June 30, 2015. This change in governmental net assets was the result of operations, transfers for capital projects and the impact of prior period adjustments for GASB Statement #68. The Statement of Net Position includes for the first time the elements required by newly implemented GASB Statement #68, including Deferred Outflow Related to TRS, Deferred Inflow Related to TRS and Net Pension Liability (District's Share). Other specific items to note include: the net capital assets increased by \$2,373,255 due to current capital additions exceeding current depreciation while the District's liabilities related to debt service decreased due to the principal and interest paid during the fiscal year. Unrestricted assets decreased reflecting the use and transfer of resources committed to capital improvements.

TABLE I
Athens Independent School District
Net Position

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
Current and other assets	\$ 17,223,956	\$ 17,400,415	(176,459)
Capital assets	<u>38,792,666</u>	<u>37,923,674</u>	<u>868,992</u>
Total Assets	56,016,622	55,324,089	692,533
Deferred Outflows of resources related to TRS	543,117	--	543,117
Noncurrent liabilities	23,474,433	22,823,515	650,918
Other liabilities	<u>2,694,649</u>	<u>2,853,280</u>	<u>(158,631)</u>
Total Liabilities	26,169,082	25,676,795	492,287
Deferred Inflows of resources related to TRS	659,276	--	659,276
Net Position:			
Invested in capital assets net of related debt	17,473,414	15,100,159	2,373,255
Restricted	2,353,664	2,305,589	48,075
Unrestricted	<u>9,904,303</u>	<u>12,241,546</u>	<u>(2,337,243)</u>
Total Net Position	\$ 29,731,381	\$ 29,647,294	\$ 84,087

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

	Year Ended <u>June 30, 2015</u>	Year Ended <u>June 30, 2014</u>	Increase <u>(Decrease)</u>
Revenues			
Program Revenues			
Charges for Services	518,365	581,443	(63,078)
Operating grants and contributions	5,502,123	6,160,808	(658,685)
General Revenues			
Maintenance and operations taxes	12,774,096	12,497,929	276,167
Debt service taxes	1,962,404	1,793,042	169,362
State aid – formula grants	11,100,637	11,021,837	78,800
Grants and Contributions (not restricted)	719,425	550,677	168,748
Investment earnings	57,042	58,836	(1,794)
Miscellaneous	763,117	457,736	305,381
Capital Asset Donation	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenue	33,397,209	33,122,308	274,901
Expenses			
Instruction, curriculum and media services	17,614,341	18,435,487	(821,146)
Instructional and school leadership	1,931,233	1,913,311	17,922
Student support services	2,417,331	2,290,523	126,808
Child nutrition	1,796,647	1,773,968	22,679
Co curricular activities	1,544,816	1,493,501	51,315
General administration	1,066,530	972,553	93,977
Plant maintenance, security & data processing	3,137,728	3,395,992	(258,264)
Community Services	52,291	46,687	5,604
Debt Services	1,013,982	958,295	55,687
Shared Services Arrangements	15,925	--	15,925
Other Intergovernmental Charges (CAD)	<u>246,995</u>	<u>233,250</u>	<u>13,745</u>
Total Expenses	30,837,819	31,513,567	(675,748)
Increase (Decrease) in net position	2,559,390	1,608,741	950,649
Prior Period Adjustment - GASB 68	(2,475,303)	0	(2,475,303)
Net position at Beginning of Period	<u>29,647,294</u>	<u>28,038,553</u>	<u>1,608,741</u>
Net position at End of Period	<u>29,731,381</u>	<u>29,647,294</u>	<u>\$ 84,087</u>

The District's total revenues for the year ended June 30, 2015 increased by 3.7 percent compared to the year ended June 30, 2014, primarily due to very successful delinquent property tax collections and other local revenue. The total cost of all programs and services decreased by 2.1 percent due to attrition and cost control efforts including benefits from the lower cost of energy.

The net cost of all governmental activities this year was \$24,817,331. 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 \$14,736,500. Some of the costs were paid by those who directly benefited from the programs (\$518,365) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,502,123) or by State equalization funding (\$11,100,637). Investment earnings and other revenues funded the remaining amount. The local taxpayer share increased greater than the state equalization funding increased as local property values moved slightly higher and tax collections were strong.

THE DISTRICT'S FUNDS

As the District completed the year, its general fund reported a fund balance of \$8,857,844 (Exhibit C-3), which is \$2,000,957 lower than last year's general fund balance of \$10,858,801. The decrease represents the net effect of an increase of \$2,615,319 from operations and a decrease of \$4,616,276 transferred from the general fund to the capital projects fund. Favorable collections of delinquent property taxes, an increase of student health and related services reimbursement, optimizing grant funds (even though the special education high cost grant was lower than previous years), and favorable energy costs all combined to make the transfer possible. The Debt Service Fund added \$37,328 to fund balance, reflecting the benefit of a slightly higher property tax rate combined with favorable collections.

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 2015, the District had \$66.8 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 3.1 million dollars, or 4.9 percent above last year.

This year's additions included: completing the renovations to the baseball field house, progress toward expanding the fine arts facilities at the high school and progress toward adding classrooms and connecting corridors to an elementary campus. The changes also represent the acquisition of several school buses.

Detailed information about the District's capital assets is presented in Note F to the financial statements.

Debt

At June 30, 2015, the District had \$20.25 million in bonds and maintenance tax notes outstanding. The district refinanced \$5.9 million of bond debt during fiscal year 2014-2015. The refinancing will result in saving approximately \$100,000 of debt service each year during the remaining five year term starting with 2015-2016. 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 2015-2016 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. Legislative changes should result in slightly increased revenue for the general operations of the District for 2015-2016. Employee pay increases will be provided during 2015-2016 for all employees. Cost containment will be accomplished through continued diligent cost management. The local maintenance property tax rate will remain unchanged, among the lowest of school districts in Texas for 2015, as will the debt service tax rate due to a stable property tax base and available reserve funds. Consequently, the budget adopted for fiscal year 2015-2016 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, 2016 and adopting the combined tax rate for the 2015 levy of \$1.19647 per \$100 of valuation. Amounts available for appropriation in the original General Fund budget are \$25.5 million, as compared to the final 2014-2015 annual budget of \$25.3 million. The District will use its revenues to finance programs currently offered. Budgeted expenditures are \$25.5 million, minimally increased from the final \$25.3 million of 2014-2015. The District has added no major new programs or initiatives to the 2015-2016 budget. If these estimates are realized, the District's budgetary General Fund balances are expected to remain virtually unchanged at the close of the 2015-2016 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.

FINANCIAL STATEMENTS

ATHENS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 9,460,795
1120 Current Investments	3,062,913
1220 Property Taxes Receivable (Delinquent)	905,208
1230 Allowance for Uncollectible Taxes	(18,104)
1240 Due from Other Governments	3,629,942
1290 Other Receivables, net	24,139
1300 Inventories	26,415
1410 Prepayments	132,648
Capital Assets:	
1510 Land	3,113,557
1520 Buildings, Net	30,903,270
1530 Furniture and Equipment, Net	2,229,414
1580 Construction in Progress	2,546,425
1000 Total Assets	56,016,622
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	543,117
1700 Total Deferred Outflows of Resources	543,117
LIABILITIES	
2110 Accounts Payable	21,773
2140 Interest Payable	240,619
2150 Payroll Deductions & Withholdings	19,733
2160 Accrued Wages Payable	2,111,644
2300 Unearned Revenue	287,653
2400 Payable from Restricted Assets	13,227
Noncurrent Liabilities	
2501 Due Within One Year	1,750,000
2502 Due in More Than One Year	19,569,252
2540 Net Pension Liability (District's Share)	2,155,181
2000 Total Liabilities	26,169,082
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	659,276
2600 Total Deferred Inflows of Resources	659,276
NET POSITION	
3200 Net Investment in Capital Assets	17,473,414
3820 Restricted for Federal and State Programs	389,288
3850 Restricted for Debt Service	1,773,764
3870 Restricted for Campus Activities	158,672
3890 Restricted for Other Purposes	31,940
3900 Unrestricted	9,904,303
3000 Total Net Position	\$ 29,731,381

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, 2015

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 17,059,735	\$ 6,100	\$ 2,905,734	\$ (14,147,901)
12 Instructional Resources and Media Services	351,007	-	12,107	(338,900)
13 Curriculum and Staff Development	203,599	-	158,189	(45,410)
21 Instructional Leadership	362,821	-	141,534	(221,287)
23 School Leadership	1,568,412	-	95,254	(1,473,158)
31 Guidance, Counseling and Evaluation Services	855,359	-	180,684	(674,675)
33 Health Services	278,520	-	57,309	(221,211)
34 Student (Pupil) Transportation	1,283,452	-	206,003	(1,077,449)
35 Food Services	1,796,647	287,982	1,465,299	(43,366)
36 Extracurricular Activities	1,544,816	217,218	30,294	(1,297,304)
41 General Administration	1,066,530	-	71,793	(994,737)
51 Facilities Maintenance and Operations	2,472,710	7,065	78,284	(2,387,361)
52 Security and Monitoring Services	247,031	-	12,847	(234,184)
53 Data Processing Services	417,987	-	17,313	(400,674)
61 Community Services	52,291	-	53,554	1,263
72 Debt Service - Interest on Long Term Debt	890,289	-	-	(890,289)
73 Debt Service - Bond Issuance Cost and Fees	123,693	-	-	(123,693)
93 Payments related to Shared Services Arrangements	15,925	-	15,925	-
99 Other Intergovernmental Charges	246,995	-	-	(246,995)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 30,837,819</u>	<u>\$ 518,365</u>	<u>\$ 5,502,123</u>	<u>\$ (24,817,331)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			12,774,096
DT	Property Taxes, Levied for Debt Service			1,962,404
SF	State Aid - Formula Grants			11,100,637
GC	Grants and Contributions not Restricted			719,425
IE	Investment Earnings			57,042
MI	Miscellaneous Local and Intermediate Revenue			763,117
TR	Total General Revenues			<u>27,376,721</u>
CN	Change in Net Position			2,559,390
NB	Net Position - Beginning			29,647,294
PA	Prior Period Adjustment			(2,475,303)
NE	Net Position--Ending			<u>\$ 29,731,381</u>

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

ATHENS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 5,009,822	\$ 1,757,033	\$ 2,644,899
1120 Investments - Current	3,032,955	29,958	-
1220 Property Taxes - Delinquent	790,743	114,465	-
1230 Allowance for Uncollectible Taxes (Credit)	(15,815)	(2,289)	-
1240 Receivables from Other Governments	2,926,867	-	-
1290 Other Receivables	18,001	-	-
1300 Inventories	-	-	-
1410 Prepayments	132,648	-	-
1000 Total Assets	<u>\$ 11,895,221</u>	<u>\$ 1,899,167</u>	<u>\$ 2,644,899</u>
LIABILITIES			
2110 Accounts Payable	\$ 7,798	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	19,733	-	-
2160 Accrued Wages Payable	1,947,265	-	-
2300 Unearned Revenues	287,653	-	-
2400 Accrued Interest	-	13,227	-
2000 Total Liabilities	<u>2,262,449</u>	<u>13,227</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	774,928	112,176	-
2600 Total Deferred Inflows of Resources	<u>774,928</u>	<u>112,176</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	-	-	-
3430 Prepaid Items	132,648	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	1,773,764	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3510 Construction	-	-	2,644,899
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	-	-	-
3600 Unassigned Fund Balance	8,725,196	-	-
3000 Total Fund Balances	<u>8,857,844</u>	<u>1,773,764</u>	<u>2,644,899</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 11,895,221</u>	<u>\$ 1,899,167</u>	<u>\$ 2,644,899</u>

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

Other Funds	Total Governmental Funds
\$ 49,041	\$ 9,460,795
-	3,062,913
-	905,208
-	(18,104)
703,075	3,629,942
6,138	24,139
26,415	26,415
-	132,648
<u>\$ 784,669</u>	<u>\$ 17,223,956</u>
\$ 13,975	\$ 21,773
-	19,733
164,379	2,111,644
-	287,653
-	13,227
<u>178,354</u>	<u>2,454,030</u>
-	887,104
-	887,104
26,415	26,415
-	132,648
389,288	389,288
-	1,773,764
31,940	31,940
-	2,644,899
158,672	158,672
-	8,725,196
<u>606,315</u>	<u>13,882,822</u>
<u>\$ 784,669</u>	<u>\$ 17,223,956</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 JUNE 30, 2015

Total Fund Balances - Governmental Funds	\$	13,882,822
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 \$63,671,363 and the accumulated depreciation was \$25,747,689. 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 \$22,823,515. 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.		15,100,159
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 2015 capital outlays and debt principal payments is to increase (decrease) net position.		4,827,716
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$2,155,181, a deferred resource inflow related to TRS in the amount of \$659,276, and a deferred resource outflow related to TRS in the amount of \$543,117. This resulted in a decrease in net position.		(2,271,340)
4 The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(2,272,124)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing 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.		464,148
19 Net Position of Governmental Activities	\$	29,731,381

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, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 13,448,716	\$ 2,031,839	\$ 250,000
5800 State Program Revenues	12,271,386	-	-
5900 Federal Program Revenues	445,455	275,364	-
5020 Total Revenues	<u>26,165,557</u>	<u>2,307,203</u>	<u>250,000</u>
EXPENDITURES:			
Current:			
0011 Instruction	13,495,050	-	-
0012 Instructional Resources and Media Services	305,950	-	-
0013 Curriculum and Instructional Staff Development	45,450	-	-
0021 Instructional Leadership	237,399	-	-
0023 School Leadership	1,488,530	-	-
0031 Guidance, Counseling and Evaluation Services	727,770	-	-
0033 Health Services	235,753	-	-
0034 Student (Pupil) Transportation	1,211,232	-	185,272
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,041,483	-	3,354
0041 General Administration	1,045,568	-	-
0051 Facilities Maintenance and Operations	2,471,263	-	9,950
0052 Security and Monitoring Services	237,359	-	-
0053 Data Processing Services	404,744	-	-
0061 Community Services	-	-	-
Debt Service:			
0071 Principal on Long Term Debt	200,000	1,480,000	-
0072 Interest on Long Term Debt	154,692	667,182	-
0073 Bond Issuance Cost and Fees	1,000	122,693	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	2,546,425
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-
0099 Other Intergovernmental Charges	246,995	-	-
6030 Total Expenditures	<u>23,550,238</u>	<u>2,269,875</u>	<u>2,745,001</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,615,319</u>	<u>37,328</u>	<u>(2,495,001)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	5,905,000	-
7915 Transfers In	-	-	4,616,276
7916 Premium or Discount on Issuance of Bonds	-	1,091,293	-
8911 Transfers Out (Use)	(4,616,276)	-	-
8949 Other (Uses)	-	(6,966,781)	-
7080 Total Other Financing Sources (Uses)	<u>(4,616,276)</u>	<u>29,512</u>	<u>4,616,276</u>
1200 Net Change in Fund Balances	(2,000,957)	66,840	2,121,275
0100 Fund Balance - July 1 (Beginning)	<u>10,858,801</u>	<u>1,706,924</u>	<u>523,624</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 8,857,844</u>	<u>\$ 1,773,764</u>	<u>\$ 2,644,899</u>

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

Other Funds	Total Governmental Funds
\$ 613,216	\$ 16,343,771
422,179	12,693,565
3,907,801	4,628,620
<u>4,943,196</u>	<u>33,665,956</u>
2,280,924	15,775,974
45	305,995
158,332	203,782
129,010	366,409
7,876	1,496,406
136,701	864,471
42,677	278,430
151,842	1,548,346
1,751,638	1,751,638
190,617	1,235,454
24,704	1,070,272
20,000	2,501,213
-	237,359
-	404,744
53,554	53,554
-	1,680,000
-	821,874
-	123,693
-	2,546,425
15,925	15,925
-	246,995
<u>4,963,845</u>	<u>33,528,959</u>
<u>(20,649)</u>	<u>136,997</u>
-	5,905,000
-	4,616,276
-	1,091,293
-	(4,616,276)
-	(6,966,781)
-	29,512
<u>(20,649)</u>	<u>166,509</u>
<u>626,964</u>	<u>13,716,313</u>
<u>\$ 606,315</u>	<u>\$ 13,882,822</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, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	166,509
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 2015 capital outlays and debt principal payments is to increase (decrease) net position.		4,827,716
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.		(2,272,124)
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.		(366,674)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource inflows. These contributions made after the measurement date of 8/31/2014 caused the change in the ending net position to increase in the amount of \$369,697. Contributions made before the measurement date but during hte 2015 fiscal year were also de-expended and recorded as a reduction in the net pension liability for the District. This also caused an increase in the change in net position totaling \$33,474. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded as an expense. The net pension expense decreased the change in net position by \$199,208. The result of these amounts is to increase the change in net position.		203,963
Change in Net Position of Governmental Activities	<u>\$</u>	<u>2,559,390</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, 2015

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 506,604	\$ 76,818
Total Assets	<u>506,604</u>	<u>\$ 76,818</u>
LIABILITIES		
Due to Student Groups	-	\$ 76,818
Total Liabilities	<u>-</u>	<u>\$ 76,818</u>
NET POSITION		
Restricted for Scholarships	92,260	
Restricted for Other Purposes	414,344	
Total Net Position	<u>\$ 506,604</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, 2015

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 217,053
State Program Revenues	1,213
Total Additions	<u>218,266</u>
DEDUCTIONS:	
Payroll Costs	24,075
Professional and Contracted Services	8,034
Supplies and Materials	170,978
Other Operating Costs	2,330
Total Deductions	<u>205,417</u>
Change in Net Position	12,849
Total Net Position - July 1 (Beginning)	<u>493,755</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 506,604</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, 2015

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 *GASB Statement No. 56*; 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.

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

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. Direct costs are identifiable with a specific function. Program revenues of the District include charges for services and operating grants and contributions. 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

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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.

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. 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, 2015

The Agency funds apply the accrual basis of accounting but do not have a measurement focus.

D. FUND ACCOUNTING

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues, and expenditures or expenses.

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, 2015

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, 2015

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, 2015

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, 2015

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	\$ 3 113 557	\$	\$ 3 113 557	\$
Buildings & Improvements	54 475 258	21 727 500	32 747 758	
Furniture & Equipment	6 082 548	4 020 189	2 062 359	
Construction in Progress				
Totals	<u>\$ 63 671 363</u>	<u>\$ 25 747 689</u>		
Change in Net Position				<u>\$ 37 923 674</u>
<u>Long-term Liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			\$ 18 072 543	
Accretion Payable			831 186	
Loans Payable			3 865 000	
Premium (Discount) on Issuance of Bonds			<u>54 786</u>	
Changes in Net Position				<u>22 823 515</u>
Net Adjustment to Net Position				<u>\$ 15 100 159</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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>Adjustment to Net Position</u>
<u>Current Year Capital Outlay:</u>			
Land	\$ 29 994	\$	\$
Buildings & Improvements	571 297		
Furniture & Equipment			
Non Depreciable Assets			
Construction in Progress	<u>2 546 425</u>		
Total Capital Outlay	<u>3 147 716</u>	<u>3 147 716</u>	<u>3 147 716</u>
<u>Debt Payments:</u>			
Bond Principal	1 480 000		
Loan Principal	<u>200 000</u>		
Total Principal Payments	<u>1 680 000</u>	<u>1 680 000</u>	<u>1 680 000</u>
Total Adjustment to Net Position		<u>\$ 4 827 716</u>	<u>\$ 4 827 716</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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	\$ 706 883	\$ (706 883)	\$
Uncollected Taxes (assumed collectible) from Current Year Levy	444 736	444 736	444 736
Uncollected Taxes (assumed collectible) from Prior Year Levy	442 368		442 368
Reclassify Proceeds of Bonds:			
Bond Proceeds	5 905 000	(5 905 000)	(5 905 000)
Bonds Refunded	5 907 543	5 907 543	5 907 543
Reclassify Bond Related Items:			
Bond Premium	981 759	(981 759)	(981 759)
Accrued Interest on Debt:			
Prior Year	318 429	318 429	
Current Year	240 619	(240 619)	(240 619)
Accretion on Capital Appreciation Bonds:			
Current Year Accrued	187 334	(187 334)	(187 334)
Current Year Paid	949 704	949 704	949 704
Bond Premium Amortization:			
Current Year	41 109	41 109	41 109
Capital Asset Adjustment	6 600	(6 600)	(6 600)
Total		\$ (366 674)	\$ 464 148

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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:

	June 30, 2015 Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 415 703
Nonappropriated Budget Funds	<u>190 612</u>
All Special Revenue Funds	<u><u>\$ 606 315</u></u>

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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 2015-2016 budget.

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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 2014-2015 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 \$17,164,498 and occurred on February 6, 2015. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$19,665,982. The total amount of FDIC coverage at the time of the highest combined balance was \$500,000.

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

- 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, 2015, the amount of the District's cash balance in checking accounts was \$10,044,217. Cash on hand was \$0.

INVESTMENTS

The District's investments at June 30, 2015, are shown below:

	<u>Cost</u>	<u>Fair Value</u>	<u>Weighed Average Maturity (Years)</u>
TexSTAR	\$ 711 689	\$ 711 747	.142466
First Public / Lone Star Investment Pool	686 904	686 821	.153425
Texas CLASS	<u>1 664 320</u>	<u>1 664 320</u>	.142466
 Total Investments	 <u>\$ 3 062 913</u>	 <u>\$ 3 062 888</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.

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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, 2014 upon which the levy for the 2014-2015 fiscal year was based, was \$1,246,943,396. The tax rates assessed for the year ended June 30, 2015 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.03738 and \$.15909 per \$100 valuation, respectively, for a total of \$1.19647 per \$100 valuation. Current tax collections for the year ended June 30, 2015 were 96.9% of the year end adjusted tax levy. As of June 30, 2015, property taxes receivable totaled \$790,743 and \$114,465 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, 2015 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 Fund</u>	<u>Total</u>
State Entitlements	\$ 2 926 867	\$	\$	\$	\$ 2 926 867
Other State Grants				172 346	172 346
Federal Grants				<u>530 729</u>	<u>530 729</u>
Totals	<u>\$ 2 926 867</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 703 075</u>	<u>\$ 3 629 942</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2015 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, 2015 consisted of the following individual fund amounts:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Capital Projects Fund	\$	\$ 4 616 276
Capital Projects Fund:		
General Fund	\$ 4 616 276	\$
Totals	<u>\$ 4 616 276</u>	<u>\$ 4 616 276</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2015, were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes (Net)	\$ 774 928	\$ 112 176	\$	\$	\$ 887 104
Other Governments	2 926 867			703 075	3 629 942
Other Receivables	<u>18 001</u>			<u>6 138</u>	<u>24 139</u>
Totals	<u>\$ 3 719 796</u>	<u>\$ 112 176</u>	<u>\$ 0</u>	<u>\$ 709 213</u>	<u>\$ 4 541 185</u>

Payables at June 30, 2015, were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Totals</u>
Accounts Payable	\$ 7 798	\$	\$	\$ 13 975	\$ 21 773
Payroll Deductions	19 733				19 733
Accrued Wages	<u>1 947 265</u>			<u>164 379</u>	<u>2 111 644</u>
Totals	<u>\$ 1 974 796</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 178 354</u>	<u>\$ 2 153 150</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	\$ 3 113 557	\$	\$	\$ 3 113 557
Building & Improvements	54 475 258	29 994		54 505 252
Furniture & Equipment	6 064 431	571 297	(17 950)	6 617 778
Non Depreciable Assets	18 117			18 117
Construction in Progress		<u>2 546 425</u>		<u>2 546 425</u>
Total at Historical Cost	<u>63 671 363</u>	<u>3 147 716</u>	<u>(17 950)</u>	<u>66 801 129</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	21 727 500	1 874 482		23 601 981
Furniture & Equipment	<u>4 020 189</u>	<u>397 642</u>	<u>(11 350)</u>	<u>4 406 481</u>
Total Accumulated Depreciation	<u>25 747 689</u>	<u>2 272 124</u>	<u>(11 350)</u>	<u>28 008 462</u>
Governmental Activities Capital Assets, Net	<u>\$ 37 923 674</u>	<u>\$ 875 592</u>	<u>\$ (6 600)</u>	<u>\$ 38 792 667</u>

Depreciation expense was charged to governmental functions as follows:

11	Instruction	\$ 1 423 611
12	Instructional Resources and Media Services	46 490
13	Curriculum Development and Instructional Staff Development	(183)
21	Instructional Leadership	1 568
23	School Leadership	84 874
31	Guidance, Counseling and Evaluation Services	893
33	Health Services	1 542
34	Student (Pupil) Transportation	220 496
35	Food Services	125 398
36	Cocurricular/Extracurricular Activities	315 081
41	General Administration	4 489
51	Plant Maintenance and Operations	22 265
52	Security and Monitoring Services	10 841
53	Data Processing Services	<u>14 759</u>
	Total Depreciation Expense	<u>\$ 2 272 124</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 7/1/14</u>	<u>Issued</u>	<u>Retired Refunded</u>	<u>Amounts Outstanding 6/30/15</u>	<u>Interest Current Year</u>
Unlimited Tax Refunding Bonds Series 2005	3/15% to 4.88%	\$ 15 295 000	\$ 8 502 543	\$	\$ 1 270 000 5 907 543	\$ 1 325 000	\$ 271 100
Unlimited Tax School Building Bonds Series 2009	3.00 % to 3.7%	\$ 3 750 000	\$ 3 045 000	\$	\$ 210 000	\$ 2 835 000	\$ 99 195
Unlimited Tax Qualified School Construction Bonds Series 2011	4.55%	\$ 6 525 000	\$ 6 525 000	\$	\$	\$ 6 525 000	\$ 296 888
Unlimited Tax Refunding Bonds Series 2015	2.0% to 3.0%	\$ 5 905 000	\$	\$ 5 905 000	\$	\$ 5 905 000	\$ 0
Totals			<u>\$ 18 072 543</u>	<u>\$ 5 905 000</u>	<u>\$ 7 387 543</u>	<u>\$ 16 590 000</u>	<u>\$ 667 183</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

Debt service requirements are as follows:

Year Ended June 30	General Obligations				Federal Interest Subsidy Amount "QSCB"
	Principal	Sinking Fund	Interest	Total Requirements	
2016	\$ 1 545 000	\$	\$ 532 282	\$ 2 077 282	\$ (296 887)
2017	725 000		1 307 670	2 032 670	(296 888)
2018	1 570 000		496 476	2 066 476	(296 887)
2019	1 605 000		461 476	2 066 476	(296 888)
2020	1 640 000		418 827	2 058 827	(296 887)
2021 - 2025	2 980 000	4 940 000	1 651 585	9 571 585	(1 484 438)
2026		1 585 000	148 444	1 733 444	(148 444)
Totals	<u>\$ 10 065 000</u>	<u>\$ 6 525 000</u>	<u>\$ 5 016 760</u>	<u>\$ 21 606 760</u>	<u>\$ (3 117 319)</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, 2015.

The District has 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, 2015 \$13,822,543 of bonds considered defeased are still outstanding.

On April 15, 2015 the Athens Independent School District issued \$5,905,000 in Unlimited Tax Refunding Bonds, Series 2015, with interest rates of 2.0% to 3.0%. The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, Texas Government Code, as amended, and an order adopted by the Board of Trustees on March 23, 2015. The Bonds are being issued in part as Current Interest Bonds and in part as Premium Capital Appreciation Bonds. Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds (the "Refunded Bonds") for debt service savings and (ii) pay the costs of issuing the Bonds. The refunding is expected to result in a present value debt service saving to the District of approximately \$614,952.

The Bond Order provides that from the proceeds of the sale of the Bonds received from the Underwriter, together with funds contributed by the District, if any, the District will deposit with Bank of Texas, Austin, Texas (the Escrow Agent) an amount sufficient to accomplish the discharge and final payment of the Refunded Bonds on the redemption date. Such deposited funds will be held uninvested by the Escrow Agent pending their disbursement to redeem the Refunded Bonds on the redemption date. Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund") which, under the Escrow Agreement to be entered into by the District and the Escrow Agent (The Escrow Agreement), is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds. SAMCO Capital Markets, Inc. will provide a certificate verifying the sufficiency of the Bond proceeds and other cash on hand, if applicable, to pay the principal of and interest on the Refunded Bonds on the redemption date.

By the deposit of Bond proceeds and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Bonds in accordance with the law. As a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrow Fund and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from ad valorem taxes nor for the purpose of applying any limitation on the issuance of debt. Defeasance of the Bonds cancels the Permanent School Fund guarantee with respect to such defeased Bonds.

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 7/1/14</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 6/30/15</u>	<u>Interest Current Year</u>
Maintenance Tax Refunding Bonds Series 2009	2.0% to 4.60%	\$ 1 960 000	\$ 1 060 000	\$	\$ 200 000	\$ 860 000	\$ 34 440
Maintenance Tax Note Series 2009	3.75% to 4.60%	\$ 2 805 000	2 805 000			2 805 000	120 253
Totals			<u>\$ 3 865 000</u>	<u>\$ 0</u>	<u>\$ 200 000</u>	<u>\$ 3 665 000</u>	<u>\$ 154 693</u>

Debt service requirements are as follows:

<u>Year Ended June 30</u>	<u>General Obligations</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 205 000	\$ 148 693	\$ 353 693
2017	210 000	142 542	352 542
2018	220 000	135 717	355 717
2019	225 000	128 128	353 128
2020	230 000	120 252	350 252
2021-2025	1 305 000	455 745	1 760 745
2026-2029	<u>1 270 000</u>	<u>147 315</u>	<u>1 417 315</u>
	<u>\$ 3 665 000</u>	<u>\$ 1 278 392</u>	<u>\$ 4 943 392</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

I. CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	<u>Additions</u>	<u>Reductions</u>	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 18 072 543	\$ 5 905 000	\$ 7 387 543	\$ 16590 000	\$ 1 545 000
Accretion Payable:					
Capital Appreciation Bonds	<u>831 186</u>	<u>187 334</u>	<u>949 704</u>	<u>68 816</u>	
Loans Payable:					
Maintenance Tax Notes	<u>3 865 000</u>		<u>200 000</u>	<u>3 665 000</u>	<u>205 000</u>
Premium (Discount) on Issuance of Bonds:					
Premium	<u>54 786</u>	<u>981 759</u>	<u>41 109</u>	<u>995 436</u>	
Total Governmental Activities Long-term Liabilities					
	<u>\$ 22 823 515</u>	<u>\$ 7 074 093</u>	<u>\$ 8 578 356</u>	<u>\$ 21 319 252</u>	<u>\$ 1 750 000</u>

J. 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	Total
State Foundation Facilities Lease	\$ 276 853 <u>10 800</u>	\$	\$	\$	\$ 276 853 <u>10 800</u>
Totals	<u>\$ 287 653</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 287 653</u>

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

Net Property Taxes	<u>\$ 774 928</u>	<u>\$ 112 176</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 887 104</u>
--------------------	-------------------	-------------------	-------------	-------------	-------------------

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

K. FUND BALANCE

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

Fund Balance	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total
Nonspendable:					
Inventory	\$	\$	\$	26 415	\$ 26 415
Prepaid Items	<u>132 648</u>				<u>132 648</u>
Total Nonspendable	<u>132 648</u>			<u>26 415</u>	<u>159 063</u>
Restricted:					
Federal Grants				389 288	389 288
State Grants					
Debt Service		1 773 764			1 773 764
Capital Projects					
Other				<u>31 940</u>	<u>31 940</u>
Total Restricted		<u>1 773 764</u>		<u>421 228</u>	<u>2 194 992</u>
Committed:					
Construction			<u>2 644 899</u>		<u>2 644 899</u>
Total Committed			<u>2 644 899</u>		<u>2 644 899</u>
Assigned:					
Campus Activity				<u>158 672</u>	<u>158 672</u>
Total Assigned					
Unassigned	<u>8 725 196</u>				<u>8 725 196</u>
Total Fund Balances	<u>\$ 8 857 844</u>	<u>\$ 1 773 764</u>	<u>\$ 2 644 899</u>	<u>\$ 606 315</u>	<u>\$ 13 882 822</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

L. 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	\$ 13 009 049	\$ 1 989 598	\$	\$	\$ 14 998 647
Penalties, Interest & Other					
Tax Related Income	251 238	36 828			288 066
Food Sales				287 982	287 982
Investment Income	49 851	5 413		1 778	57 042
Co-curricular Student					
Activities	58 546			158 672	217 218
Other	<u>80 032</u>		<u>250 000</u>	<u>164 784</u>	<u>494 816</u>
Totals	<u>\$ 13 448 716</u>	<u>\$ 2 031 839</u>	<u>\$ 250 000</u>	<u>\$ 613 216</u>	<u>\$ 16 343 771</u>

M. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provided for minimum future rental payments as of June 30, 2015, as follows:

<u>Year Ended June 30</u>	<u>Total</u>
2016	\$ 183 024
2017	155 424
2018	139 848
2019	91 512
2020	<u>21 133</u>
Total Minimum Rentals	<u>\$ 590 941</u>
Rental Expenditures in Fiscal Year 2015	<u>\$ 193 415</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

N. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 159,496,075,886
Less: Plan Fiduciary Net Position	<u>(132,779,243,085)</u>
Net Pension Liability	<u>\$ 26,716,832,801</u>
Net Position as percentage of Total Pension Liability	83.25%

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

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

Contribution Rates		
	2014	2015
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Athens ISD 2014 Employer Contributions	\$	204 555
Athens ISD 2014 Member Contributions	\$	1 092 962
Athens ISD 2014 NECE On-Behalf Contributions	\$	984 074

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Assumptions. The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age, Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Salary Increases *	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

**Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the postretirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return *
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
Total	<u>100%</u>		<u>8.7%</u>

**The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.*

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$ <u>3,851,178</u>	\$ <u>2,155,181</u>	\$ <u>886,891</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2014, the District reported a liability of \$2,155,181 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 2 155 181
State's proportionate share that is associated with the District	<u>10 390 199</u>
Total	<u>\$ 12 545 380</u>

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was .0080684%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, the District recognized pension expense of \$960,555 and revenue of \$960,555 for support provided by the State.

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

At August 31, 2014, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 33 331	\$
Changes in actuarial assumptions	140 089	
Difference between projected and actual investment earnings		658 711
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions		565
	\$ 173 420	\$ 659 276

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2015	\$ (135 517)
2016	(135 517)
2017	(135 517)
2018	(135 517)
2019	29 161
Thereafter	27 051

At June 30, 2015, the District reported Deferred Resource Outflows and Deferred Resource Inflows for the TRS pension plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Total net amounts as of August 31, 2014 Measurement Date	\$ 173 420	\$ 659 276
Contributions made subsequent to the measurement date	369 697	
Reported by District as of August 31, 2015	\$ 543 117	\$ 659 276

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

O. HEALTH CARE

During the year ended June 30, 2015 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 Aetna. 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 is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

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

P. 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, 2015 is estimated by TRS at \$49,444.

Q. 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, 2015

R. 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 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.

S. 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 2015 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.

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 2015 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. PRIOR PERIOD ADJUSTMENT

During fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is \$(2,475,303). The restated beginning net position is \$27,171,991.

V. SUBSEQUENT EVENT

The District's Board of Trustees has called a bond election for November 3,2015 in the amount of \$59.9 million for the purpose of construction and renovation of the District's facilities.

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, 2015

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	\$ 12,581,512	\$ 12,621,911	\$ 13,448,716	\$ 826,805
5800	State Program Revenues	12,521,892	12,521,892	12,271,386	(250,506)
5900	Federal Program Revenues	200,000	370,000	445,455	75,455
5020	Total Revenues	25,303,404	25,513,803	26,165,557	651,754
EXPENDITURES:					
Current:					
0011	Instruction	14,223,017	14,423,017	13,495,050	927,967
0012	Instructional Resources and Media Services	342,798	402,798	305,950	96,848
0013	Curriculum and Instructional Staff Development	67,682	67,682	45,450	22,232
0021	Instructional Leadership	293,605	293,605	237,399	56,206
0023	School Leadership	1,620,408	1,520,408	1,488,530	31,878
0031	Guidance, Counseling and Evaluation Services	799,960	849,960	727,770	122,190
0033	Health Services	216,909	251,909	235,753	16,156
0034	Student (Pupil) Transportation	1,206,373	1,246,772	1,211,232	35,540
0036	Extracurricular Activities	1,098,358	1,098,358	1,041,483	56,875
0041	General Administration	1,173,469	1,153,469	1,045,568	107,901
0051	Facilities Maintenance and Operations	2,893,049	2,833,049	2,471,263	361,786
0052	Security and Monitoring Services	257,951	262,951	237,359	25,592
0053	Data Processing Services	481,925	481,925	404,744	77,181
Debt Service:					
0071	Principal on Long Term Debt	200,000	200,000	200,000	-
0072	Interest on Long Term Debt	154,724	154,724	154,692	32
0073	Bond Issuance Cost and Fees	1,500	1,500	1,000	500
Intergovernmental:					
0099	Other Intergovernmental Charges	250,300	250,300	246,995	3,305
6030	Total Expenditures	25,282,028	25,492,427	23,550,238	1,942,189
1100	Excess of Revenues Over Expenditures	21,376	21,376	2,615,319	2,593,943
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(21,376)	(4,637,652)	(4,616,276)	21,376
1200	Net Change in Fund Balances	-	(4,616,276)	(2,000,957)	2,615,319
0100	Fund Balance - July 1 (Beginning)	10,858,801	10,858,801	10,858,801	-
3000	Fund Balance - June 30 (Ending)	\$ 10,858,801	\$ 6,242,525	\$ 8,857,844	\$ 2,615,319

ATHENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2015

EXHIBIT G-2

	2015
District's Proportion of the Net Pension Liability (Asset)	0.0080684%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,155,181
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	10,390,199
Total	\$ 12,545,380
District's Covered-Employee Payroll	\$ 17,077,315
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-Employee Payroll	12.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: GASB 68, 81,2,a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

ATHENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2015

EXHIBIT G-3

		2015
Contractually Required Contribution	\$	403,171
Contribution in Relation to the Contractually Required Contribution		(403,171)
		-
Contribution Deficiency (Excess)	\$	-0-
District's Covered-Employee Payroll	\$	17,130,199
Contributions as a Percentage of Covered-Employee Payroll		2.35%

Note: GASB 68, Paragraph 81,2,b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

ATHENS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Changes of Benefit Terms

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

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

COMBINING STATEMENTS

ATHENS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

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	\$ (153,981)	\$ (67,362)	\$ (357)	\$ (108,705)
1240 Receivables from Other Governments	259,847	90,549	1,812	108,705
1290 Other Receivables	1,000	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 106,866</u>	<u>\$ 23,187</u>	<u>\$ 1,455</u>	<u>\$ -</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	106,866	23,187	1,455	-
2000 Total Liabilities	<u>106,866</u>	<u>23,187</u>	<u>1,455</u>	<u>-</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>\$ 106,866</u>	<u>\$ 23,187</u>	<u>\$ 1,455</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	289 Summer School LEP	385 Visually Impaired SSVI	397 Advanced Placement Incentives
\$ 395,832	\$ (15,651)	\$ (7,905)	\$ (5,116)	\$ (4,481)	\$ -	\$ -	\$ -
6,584	15,651	22,057	13,421	12,103	-	-	-
-	-	-	-	-	-	-	-
26,415	-	-	-	-	-	-	-
<u>\$ 428,831</u>	<u>\$ -</u>	<u>\$ 14,152</u>	<u>\$ 8,305</u>	<u>\$ 7,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,336	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,792	-	14,152	8,305	7,622	-	-	-
<u>13,128</u>	<u>-</u>	<u>14,152</u>	<u>8,305</u>	<u>7,622</u>	<u>-</u>	<u>-</u>	<u>-</u>
26,415	-	-	-	-	-	-	-
389,288	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>415,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 428,831</u>	<u>\$ -</u>	<u>\$ 14,152</u>	<u>\$ 8,305</u>	<u>\$ 7,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

Data Control Codes	410 State Textbook Fund	425 Teacher Induction and Mentoring	428 Ready To Read License Plate	461 Campus Activity Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ (172,346)	\$ -	\$ -	\$ 157,173
1240	Receivables from Other Governments	172,346	-	-	-
1290	Other Receivables	-	-	-	5,138
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,311</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 3,639
2160	Accrued Wages Payable	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,639</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	-	-	-	158,672
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,672</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,311</u>

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
\$ -	\$ -	\$ 5,698	\$ 44	\$ 26,198	\$ 49,041
-	-	-	-	-	703,075
-	-	-	-	-	6,138
-	-	-	-	-	26,415
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,698</u>	<u>\$ 44</u>	<u>\$ 26,198</u>	<u>\$ 784,669</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,975
-	-	-	-	-	164,379
-	-	-	-	-	178,354
-	-	-	-	-	26,415
-	-	-	-	-	389,288
-	-	5,698	44	26,198	31,940
-	-	-	-	-	158,672
-	-	5,698	44	26,198	606,315
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,698</u>	<u>\$ 44</u>	<u>\$ 26,198</u>	<u>\$ 784,669</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

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	1,130,148	733,695	13,809
5020	Total Revenues	<u>1,130,148</u>	<u>733,695</u>	<u>13,809</u>
EXPENDITURES:				
Current:				
0011	Instruction	910,796	361,168	13,809
0012	Instructional Resources and Media Services	-	-	-
0013	Curriculum and Instructional Staff Development	37,621	22,018	-
0021	Instructional Leadership	88,558	40,452	-
0023	School Leadership	-	-	-
0031	Guidance, Counseling and Evaluation Services	14,915	116,931	-
0033	Health Services	-	28,170	-
0034	Student (Pupil) Transportation	-	149,031	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0041	General Administration	24,704	-	-
0051	Facilities Maintenance and Operations	-	-	-
0061	Community Services	53,554	-	-
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	-	15,925	-
6030	Total Expenditures	<u>1,130,148</u>	<u>733,695</u>	<u>13,809</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>

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	289 Summer School LEP	385 Visually Impaired SSVI	397 Advanced Placement Incentives
\$ 289,760	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250
10,370	-	-	-	-	-	4,500	2,700
1,474,929	60,094	240,508	87,504	53,615	4,426	-	-
<u>1,775,059</u>	<u>60,094</u>	<u>240,508</u>	<u>87,504</u>	<u>53,615</u>	<u>4,426</u>	<u>4,500</u>	<u>2,950</u>
-	60,094	147,221	87,504	53,615	4,426	4,500	4,695
-	-	-	-	-	-	-	-
-	-	93,287	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,747,138	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
20,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,767,138</u>	<u>60,094</u>	<u>240,508</u>	<u>87,504</u>	<u>53,615</u>	<u>4,426</u>	<u>4,500</u>	<u>4,695</u>
7,921	-	-	-	-	-	-	(1,745)
407,782	-	-	-	-	-	-	1,745
<u>\$ 415,703</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, 2015

Data Control Codes	410 State Textbook Fund	425 Teacher Induction and Mentoring	428 Ready To Read License Plate	461 Campus Activity Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 158,672
5800 State Program Revenues	172,346	-	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>172,346</u>	<u>-</u>	<u>-</u>	<u>158,672</u>
EXPENDITURES:				
Current:				
0011 Instruction	172,346	-	-	-
0012 Instructional Resources and Media Services	-	-	45	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	190,617
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>172,346</u>	<u>-</u>	<u>45</u>	<u>190,617</u>
1200 Net Change in Fund Balance	-	-	(45)	(31,945)
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>45</u>	<u>190,617</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,672</u>

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
\$ -	\$ -	\$ 23,950	\$ -	\$ 140,584	\$ 613,216
-	231,820	-	-	443	422,179
-	-	-	-	-	3,907,801
-	231,820	23,950	-	141,027	4,943,196
-	223,944	23,746	-	131,423	2,280,924
-	-	-	-	-	45
-	-	-	-	143	158,332
-	-	-	-	-	129,010
-	7,876	-	-	-	7,876
-	-	-	-	-	136,701
-	-	-	-	-	42,677
-	-	-	-	-	151,842
4,500	-	-	-	-	1,751,638
-	-	-	-	-	190,617
-	-	-	-	-	24,704
-	-	-	-	-	20,000
-	-	-	-	-	53,554
-	-	-	-	-	15,925
4,500	231,820	23,746	-	131,566	4,963,845
(4,500)	-	204	-	9,461	(20,649)
4,500	-	5,494	44	16,737	626,964
\$ -	\$ -	\$ 5,698	\$ 44	\$ 26,198	\$ 606,315

REQUIRED TEA SCHEDULES

ATHENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2015

Last 10 Years Ended	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
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	1.037380	0.149090	1,189,283,883
2014	1.037380	0.149090	1,211,643,162
2015 (School year under audit)	1.037380	0.159090	1,246,943,396
1000 TOTALS			

(10) Beginning Balance 7/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2015
\$ 162,410	\$ -	\$ 4,861	\$ 566	\$ (67,281)	\$ 89,702
28,770	-	1,278	112	(7,582)	19,798
24,287	-	1,175	131	(4,982)	17,999
31,802	-	5,281	591	(2,929)	23,001
44,347	-	8,307	1,194	(4,480)	30,366
58,303	-	15,769	2,266	(4,326)	35,942
106,676	-	48,647	6,991	(2,086)	48,952
143,422	-	65,052	9,349	(5,835)	63,186
572,688	-	374,517	53,825	(21,896)	122,450
-	14,919,304	12,484,189	1,914,544	(66,759)	453,812
<u>\$ 1,172,705</u>	<u>\$ 14,919,304</u>	<u>\$ 13,009,076</u>	<u>\$ 1,989,569</u>	<u>\$ (188,156)</u>	<u>\$ 905,208</u>

ATHENS INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 FOR THE YEAR ENDED JUNE 30, 2015

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 6/30/15 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 8,857,844
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 132,648	
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)	-	
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).	2,926,867	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	530,728	
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>9,090,243</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u>\$ (232,399)</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, 2015

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	\$ 325,301	\$ 325,301	\$ 289,760	\$ (35,541)
5800	State Program Revenues	9,823	9,823	10,370	547
5900	Federal Program Revenues	1,446,807	1,510,807	1,474,929	(35,878)
5020	Total Revenues	1,781,931	1,845,931	1,775,059	(70,872)
EXPENDITURES:					
0035	Food Services	1,761,931	1,825,931	1,747,138	78,793
0051	Facilities Maintenance and Operations	20,000	20,000	20,000	-
6030	Total Expenditures	1,781,931	1,845,931	1,767,138	78,793
1200	Net Change in Fund Balances	-	-	7,921	7,921
0100	Fund Balance - July 1 (Beginning)	407,782	407,782	407,782	-
3000	Fund Balance - June 30 (Ending)	\$ 407,782	\$ 407,782	\$ 415,703	\$ 7,921

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, 2015

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	\$ 1,939,688	\$ 1,939,688	\$ 2,031,839	\$ 92,151
5900	Federal Program Revenues	275,512	275,512	275,364	(148)
5020	Total Revenues	2,215,200	2,215,200	2,307,203	92,003
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	1,480,000	1,544,700	1,480,000	64,700
0072	Interest on Long Term Debt	667,183	667,500	667,182	318
0073	Bond Issuance Cost and Fees	68,017	137,200	122,693	14,507
6030	Total Expenditures	2,215,200	2,349,400	2,269,875	79,525
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(134,200)	37,328	171,528
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	5,905,000	5,905,000	-
7916	Premium or Discount on Issuance of Bonds	-	1,196,000	1,091,293	(104,707)
8949	Other (Uses)	-	(6,966,800)	(6,966,781)	19
7080	Total Other Financing Sources (Uses)	-	134,200	29,512	(104,688)
1200	Net Change in Fund Balances	-	-	66,840	66,840
0100	Fund Balance - July 1 (Beginning)	1,706,924	1,706,924	1,706,924	-
3000	Fund Balance - June 30 (Ending)	\$ 1,706,924	\$ 1,706,924	\$ 1,773,764	\$ 66,840

COMPLIANCE, INTERNAL CONTROL AND FEDERAL AWARDS

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

Marlin R. Smith, CPA
J. W. Lambright, CPA

Cheri E. Kirkland, CPA
Chris M. Johnson, CPA

P. O. Box 912
505 E. Tyler
Athens, Texas 75751
(903) 675-5674
FAX (903) 675-5676
smithlambright.com

**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, 2015 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 19, 2015.

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.

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

October 19, 2015

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

Marlin R. Smith, CPA
J. W. Lambright, CPA

Cheri E. Kirkland, CPA
Chris M. Johnson, CPA

P. O. Box 912
505 E. Tyler
Athens, Texas 75751
(903) 675-5674
FAX (903) 675-5676
smithlambright.com

**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, 2015. 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 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, 2015.

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, 2015, and have issued our report thereon dated October 19, 2015 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.

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

October 19, 2015

ATHENS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR YEAR ENDED JUNE 30, 2015

I. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

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
10.579	TDA Direct Certification

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, 2015

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, 2015

N/A

ATHENS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2015

N/A

ATHENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

(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	14-610101107901	\$ 161,569
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	15-610101107901	968,579
Total CFDA Number 84.010A			1,130,148
**IDEA - Part B, Formula	84.027	14-660001107901	114,744
**IDEA - Part B, Formula	84.027	15-660001107901	618,951
**IDEA - Part B, Discretionary	84.027	15-660006107901	109,073
Total CFDA Number 84.027			842,768
**IDEA - Part B, Preschool	84.173	14-661001107901	1,218
**IDEA - Part B, Preschool	84.173	15-661001107901	12,591
Total CFDA Number 84.173			13,809
Total Special Education Cluster (IDEA)			856,577
Career and Technical - Basic Grant	84.048	15-420006107901	60,094
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	15-696001107901	53,615
Title III, Part A - English Language Acquisition	84.365A	14-671001107901	22,308
Title III, Part A - English Language Acquisition	84.365A	15-671001107901	65,196
Total CFDA Number 84.365A			87,504
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14-694501107901	131,626
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15-694501107901	108,882
Total CFDA Number 84.367A			240,508
Summer School - LEP	84.369A	15-69551402	4,426
Total Passed Through State Department of Education			\$ 2,432,872
TOTAL DEPARTMENT OF EDUCATION			\$ 2,432,872
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
***School Breakfast Program	10.553		\$ 296,914
***National School Lunch Program-Cash Assistance	10.555		1,022,723
***National School Lunch Prog.-Non-Cash Assistance	10.555		94,821
Total CFDA Number 10.555			1,117,544
***TDA Direct Certification	10.579		60,471
Total Child Nutrition Cluster			1,474,929
Total Passed Through the State Department of Agriculture			\$ 1,474,929
TOTAL DEPARTMENT OF AGRICULTURE			\$ 1,474,929
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,907,801

*Clustered Programs

**Clustered Programs

***Clustered Programs

ATHENS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2015

(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 (SHARS) of \$445,455 in the General Fund are not considered as federal financial assistance for purposes of this schedule.

Note B - The District received a direct federal subsidy of \$274,364 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, 2015

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

Marlin R. Smith, CPA
J. W. Lambright, CPA

Cheri E. Kirkland, CPA
Chris M. Johnson, CPA

P. O. Box 912
505 E. Tyler
Athens, Texas 75751
(903) 675-5674
FAX (903) 675-5676
smithlambright.com

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, 2015. 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 9, 2015. 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 is 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

We applied certain limited procedures to required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance of the RSI.

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, 2015, 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

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 \$8,857,844, which was a decrease of \$2,000,957 from the prior year, primarily due to the transfer of funds to the capital projects fund. The fund balance of the debt service fund was \$1,773,764. The fund balance in the capital projects fund was \$2,644,899. The fund balance in the special revenue fund - food service was \$415,703.

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 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.

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

October 19, 2015