

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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

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CERTIFICATE OF BOARD

Athens Independent School District
Name of School District


Henderson
County

107-901
Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and ✓ approved _____ disapproved for the year ended June 30, 2014 at a meeting of the board of school trustees of such school district on the 27TH day of OCTOBER, 2014.



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

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**Unmodified Opinions on Basic Financial Statements
Accompanied by Required Supplementary Information and Other Information**

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Athens Independent School District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedule - general fund, combining and individual nonmajor fund financial statements, required TEA schedules and schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit 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, combining and individual nonmajor fund financial statements, required TEA schedules (except for Exhibit J-3) and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule - general fund, combining and individual nonmajor fund financial statements, required TEA schedules (except for Exhibit J-3) and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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, Lambricht & Associates, P.C.

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

October 16, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS



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, 2014. 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, 2013 through June 30, 2014. The District's net position on a government-wide basis increased \$1,608,742 as a result of this period's operations (Exhibit B-1). The increase is primarily reflected in an increase of net capital assets due to the completion of construction work in progress, a decrease in cash and cash equivalents, an increase in current investments, a decrease in the amount due from other governments and a decrease in noncurrent liabilities.

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

During the period, the District General Fund had revenues of \$25,340,793, representing \$1,241,070 more than the \$24,099,723 expenditures net of other financing sources and uses for governmental programs (Exhibit C-3). This is consistent with the district's capital improvement plan that previously committed \$1,500,000 of fund balance for future construction and capital purposes. These funds will help with future upgrades to the bus fleet as well as address fine arts facilities at the high school, classrooms at the Madole Street campus, other facility needs and technology improvements and replacements.

The District General Fund ended the year with a fund balance of \$10,858,801 (Exhibit C-3). The increase of \$1,241,070 in fund balance represents the effect of operations. The district benefited from favorable property tax collections, enrollment and attendance, higher than expected federal program revenues (including the benefits of the School Health and Related Services program and indirect benefits from the Special Education High Cost Grant), and cost containment strategies.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The sections labeled TEA Required Schedules and Compliance, Internal Control and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The primary purpose of the government-wide financial statements is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities, from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

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

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

- Governmental activities-Most of the District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of the activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities and local capital projects).

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net position of the District's governmental activities increased from \$28,038,552 to \$29,647,294. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$1,142,335 to \$12,241,546 at June 30, 2014. This change in governmental net assets was the result of operations and related factors. Specific items to note include: the net capital assets decreased by \$1,008,551 due to current depreciation exceeding current capital additions, the District's liabilities related to debt service decreased due to the principal and interest paid during the fiscal year. Restricted assets decreased reflecting the use of resources committed to capital improvements.

TABLE I
Athens Independent School District
Net Position

| | <u>June 30, 2014</u> | <u>June 30, 2013</u> | Increase (Decrease) |
|--|----------------------|----------------------|------------------------|
| Current and other assets | \$ 17,400,415 | \$ 16,074,823 | 1,325,592 |
| Capital assets | <u>37,923,674</u> | <u>38,932,225</u> | <u>(1,008,551)</u> |
| Total Assets | 55,324,089 | 55,007,048 | 317,041 |
| Noncurrent liabilities | 22,823,515 | 24,332,781 | (1,542,007) |
| Other liabilities | <u>2,853,280</u> | <u>2,635,715</u> | <u>217,565</u> |
| Total Liabilities | 25,676,795 | 26,968,496 | (1,324,442) |
| Net Position: | | | |
| Invested in capital assets net of related debt | 15,100,159 | 14,599,444 | 500,715 |
| Restricted | 2,305,589 | 2,339,897 | (34,308) |
| Unrestricted | <u>12,241,546</u> | <u>11,099,211</u> | <u>1,142,335</u> |
| Total Net Position | \$ 29,647,294 | \$ 28,038,552 | \$ 1,608,742 |

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

| | Year Ended <u>June 30, 2014</u> | Year Ended <u>June 30, 2013</u> | Increase <u>(Decrease)</u> |
|---|------------------------------------|------------------------------------|-------------------------------|
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services | 581,443 | 625,621 | (44,178) |
| Operating grants and contributions | 6,160,808 | 5,468,619 | 692,189 |
| General Revenues | | | |
| Maintenance and operations taxes | 12,497,929 | 12,231,264 | 266,665 |
| Debt service taxes | 1,793,042 | 1,756,978 | 36,064 |
| State aid – formula grants | 11,021,837 | 9,978,372 | 1,043,465 |
| Grants and Contributions (not restricted) | 550,677 | 822,475 | (271,798) |
| Investment earnings | 58,836 | 57,822 | 1,014 |
| Miscellaneous | 457,736 | 420,891 | 36,845 |
| Capital Asset Donation | <u>0</u> | <u>505,000</u> | <u>(505,000)</u> |
| Total Revenue | 33,122,308 | 31,867,042 | 1,255,266 |
| Expenses | | | |
| Instruction, curriculum and media services | 18,435,487 | 17,143,539 | 1,291,948 |
| Instructional and school leadership | 1,913,311 | 1,958,308 | (44,997) |
| Student support services | 2,290,523 | 2,202,119 | 88,404 |
| Child nutrition | 1,773,968 | 1,684,507 | 89,461 |
| Co curricular activities | 1,493,501 | 1,458,506 | 34,995 |
| General administration | 972,553 | 917,728 | 54,825 |
| Plant maintenance, security & data processing | 3,395,992 | 3,303,726 | 92,266 |
| Community Services | 46,687 | 47,322 | (635) |
| Debt Services | 958,295 | 1,048,083 | 89,788 |
| Other Intergovernmental Charges (CAD) | <u>233,250</u> | <u>259,651</u> | <u>(26,401)</u> |
| Total Expenses | 31,513,567 | 30,023,489 | 1,490,078 |
| Increase (Decrease) in net position | 1,608,741 | 1,843,553 | (234,812) |
| Reclassification - GASB 65 Change | 0 | (581,179) | 581,179 |
| Net position at Beginning of Period | <u>28,038,553</u> | <u>26,776,179</u> | <u>1,262,374</u> |
| Net position at End of Period | 29,647,294 | 28,038,552 | \$ 1,608,741 |

The District's total revenues for the year ended June 30, 2014 increased by 3.9 percent compared to the year ended June 30, 2013, primarily due to the increase in state funding and an increase in federal and state grant programs. The total cost of all programs and services increased by 4.9 percent due to compensation adjustments and services directly provided by operating grants.

The net cost of all governmental activities this year was \$24,771,316. 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 \$14,290,971. Some of the costs were paid by those who directly benefited from the programs (\$581,443) or by other governments and organizations

that subsidized certain programs with grants and contributions (\$6,160,808) or by State equalization funding (\$11,021,837). Investment earnings and other revenues funded the remaining amount. The local taxpayer share increased and the state equalization funding decreased as local property values moved slightly higher.

THE DISTRICT'S FUNDS

As the District completed the year, its general fund reported a fund balance of \$10,858,801 (Exhibit C-3), which is \$1,241,070 higher than last year's general fund balance of \$9,617,731. The increase represents the net effect of a restoration of some state funding, optimizing grant funds (especially the special education high cost grant); significant efforts of cost avoidance combined with better than expected local property tax revenues and greater than budgeted federal fund revenues. Accumulated reserves of \$13,305 within the Debt Service Fund were utilized during the current year.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the District had \$63.7 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 0.876 million dollars, or 1.4 percent above last year.

This year's additions included: substantial renovations to provide a baseball field house and a softball field house. The changes also represent the acquisition of two school buses and a general fleet vehicle.

The District's fiscal year 2014-2015 general fund capital budget as originally adopted did not include any funds transferred to the local capital projects fund for facilities improvements. That transfer will be evaluated early during the 2014-2015 year in light of the growth in general fund balance which will provide resources for upgrading the Madole street campus and additions to the band hall of Athens High School, bus fleet and other capital improvements. As of June 30, 2014, the proceeds of the Qualified School Construction Bonds approved in 2011 have been fully expended. Detailed information about the District's capital assets is presented in Note F to the financial statements.

Debt

At June 30, 2014, the District had \$21.9 million in bonds and maintenance tax notes outstanding. No new debt was issued during fiscal year 2013-2014. 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 2014-2015 budget and tax rates. The District's population continues to experience stable but minimal growth from year to year. Unemployment for Henderson County has improved. Retail is stable and some specialized residential property (assisted living center and targeted rental units) is under construction as well as an office – retail center and restaurant. Legislative changes will result in increased revenue for the general operations of the District for 2014-2015. Employee pay increases will be provided during 2014-2015 for all employees (only employees on the teacher pay scale received pay increases the previous two years). Cost containment and reduction will be accomplished through diligent cost management. The local maintenance property tax rate will remain unchanged, among the lowest of school districts in Texas for 2014, with a one cent per one hundred dollars of valuation increase in the debt service tax rate due to a stable property tax base and available reserve funds. Consequently, the budget adopted for fiscal year 2014-2015 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, 2015 and adopting the combined tax rate for the 2014 levy of \$1.19647 per \$100 of valuation. Amounts available for appropriation in the original General Fund budget are \$25.3 million, as compared to the final 2013-2014 annual budget of \$25.3 million. The District will use its revenues to finance programs currently offered. Budgeted expenditures are \$25.3 million, virtually unchanged from the final \$25.3 million of 2013-2014. The District has added no major new programs or initiatives to the 2014-2015 budget. If these estimates are realized, the District's budgetary General Fund balances are expected to remain virtually unchanged at the close of the 2014-2015 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, 2014

EXHIBIT A-1

| Data Control Codes | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| 1110 Cash and Cash Equivalents | \$ 9,445,951 |
| 1120 Current Investments | 3,105,347 |
| 1220 Property Taxes Receivable (Delinquent) | 1,172,705 |
| 1230 Allowance for Uncollectible Taxes | (23,454) |
| 1240 Due from Other Governments | 3,041,694 |
| 1290 Other Receivables, net | 522,105 |
| 1300 Inventories | 28,299 |
| 1410 Prepayments | 107,768 |
| Capital Assets: | |
| 1510 Land | 3,113,557 |
| 1520 Buildings, Net | 32,747,758 |
| 1530 Furniture and Equipment, Net | 2,062,359 |
| 1000 Total Assets | 55,324,089 |
| LIABILITIES | |
| 2110 Accounts Payable | 295,596 |
| 2140 Interest Payable | 318,429 |
| 2150 Payroll Deductions & Withholdings | 20,528 |
| 2160 Accrued Wages Payable | 2,192,069 |
| 2180 Due to Other Governments | 10,198 |
| 2300 Unearned Revenue | 16,460 |
| Noncurrent Liabilities | |
| 2501 Due Within One Year | 1,680,000 |
| 2502 Due in More Than One Year | 21,143,515 |
| 2000 Total Liabilities | 25,676,795 |
| NET POSITION | |
| 3200 Net Investment in Capital Assets | 15,100,159 |
| 3820 Restricted for Federal and State Programs | 381,273 |
| 3850 Restricted for Debt Service | 1,706,924 |
| 3870 Restricted for Campus Activities | 190,617 |
| 3890 Restricted for Other Purposes | 26,775 |
| 3900 Unrestricted | 12,241,546 |
| 3000 Total Net Position | \$ 29,647,294 |

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, 2014

EXHIBIT B-1

| Data Control Codes | 1 | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|--|-------------------|------------------------------|--|
| | | Expenses | 3 Charges for Services | 4 Operating Grants and Contributions |
| Primary Government: | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| 11 Instruction | \$ 17,850,680 | \$ 3,000 | \$ 3,776,018 | \$ (14,071,662) |
| 12 Instructional Resources and Media Services | 380,159 | - | 20,428 | (359,731) |
| 13 Curriculum and Staff Development | 204,648 | - | 174,418 | (30,230) |
| 21 Instructional Leadership | 324,291 | - | 133,891 | (190,400) |
| 23 School Leadership | 1,589,020 | - | 87,819 | (1,501,201) |
| 31 Guidance, Counseling and Evaluation Services | 805,876 | - | 179,013 | (626,863) |
| 33 Health Services | 180,701 | - | 19,137 | (161,564) |
| 34 Student (Pupil) Transportation | 1,303,946 | - | 53,166 | (1,250,780) |
| 35 Food Services | 1,773,968 | 309,001 | 1,453,425 | (11,542) |
| 36 Extracurricular Activities | 1,493,501 | 262,532 | 28,078 | (1,202,891) |
| 41 General Administration | 972,553 | - | 67,803 | (904,750) |
| 51 Facilities Maintenance and Operations | 2,686,843 | 6,910 | 81,508 | (2,598,425) |
| 52 Security and Monitoring Services | 249,276 | - | 22,600 | (226,676) |
| 53 Data Processing Services | 459,873 | - | 16,817 | (443,056) |
| 61 Community Services | 46,687 | - | 46,687 | - |
| 72 Debt Service - Interest on Long Term Debt | 955,564 | - | - | (955,564) |
| 73 Debt Service - Bond Issuance Cost and Fees | 2,731 | - | - | (2,731) |
| 99 Other Intergovernmental Charges | 233,250 | - | - | (233,250) |
| [TP] TOTAL PRIMARY GOVERNMENT: | <u>\$ 31,513,567</u> | <u>\$ 581,443</u> | <u>\$ 6,160,808</u> | <u>\$ (24,771,316)</u> |
| Data Control Codes | General Revenues: | | | |
| | Taxes: | | | |
| MT | Property Taxes, Levied for General Purposes | | | 12,497,929 |
| DT | Property Taxes, Levied for Debt Service | | | 1,793,042 |
| SF | State Aid - Formula Grants | | | 11,021,837 |
| GC | Grants and Contributions not Restricted | | | 550,677 |
| IE | Investment Earnings | | | 58,836 |
| MI | Miscellaneous Local and Intermediate Revenue | | | 457,736 |
| TR | Total General Revenues | | | <u>26,380,057</u> |
| CN | Change in Net Position | | | 1,608,741 |
| NB | Net Position - Beginning | | | 28,038,553 |
| NE | Net Position--Ending | | | <u>\$ 29,647,294</u> |

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

ATHENS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | 60 Capital Projects |
|--|-----------------------|----------------------------|---------------------------|
| ASSETS | | | |
| 1110 Cash and Cash Equivalents | \$ 7,446,446 | \$ 1,631,989 | \$ 523,624 |
| 1120 Investments - Current | 3,030,412 | 74,935 | - |
| 1220 Property Taxes - Delinquent | 1,030,491 | 142,214 | - |
| 1230 Allowance for Uncollectible Taxes (Credit) | (20,610) | (2,844) | - |
| 1240 Receivables from Other Governments | 2,258,735 | - | - |
| 1260 Due from Other Funds | - | - | - |
| 1290 Other Receivables | 39,507 | - | - |
| 1300 Inventories | - | - | - |
| 1410 Prepayments | 107,768 | - | - |
| 1000 Total Assets | <u>\$ 13,892,749</u> | <u>\$ 1,846,294</u> | <u>\$ 523,624</u> |
| LIABILITIES | | | |
| 2110 Accounts Payable | \$ 13,336 | \$ - | \$ - |
| 2150 Payroll Deductions and Withholdings Payable | 20,528 | - | - |
| 2160 Accrued Wages Payable | 1,974,003 | - | - |
| 2170 Due to Other Funds | - | - | - |
| 2180 Due to Other Governments | - | - | - |
| 2300 Unearned Revenues | 16,200 | - | - |
| 2000 Total Liabilities | <u>2,024,067</u> | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| 2601 Unavailable Revenue - Property Taxes | 1,009,881 | 139,370 | - |
| 2600 Total Deferred Inflows of Resources | <u>1,009,881</u> | <u>139,370</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable Fund Balance: | | | |
| 3410 Inventories | - | - | - |
| 3430 Prepaid Items | 107,768 | - | - |
| Restricted Fund Balance: | | | |
| 3450 Federal or State Funds Grant Restriction | - | - | - |
| 3480 Retirement of Long-Term Debt | - | 1,706,924 | - |
| 3490 Other Restricted Fund Balance | - | - | - |
| Committed Fund Balance: | | | |
| 3510 Construction | 1,500,000 | - | 523,624 |
| Assigned Fund Balance: | | | |
| 3590 Other Assigned Fund Balance | - | - | - |
| 3600 Unassigned Fund Balance | 9,251,033 | - | - |
| 3000 Total Fund Balances | <u>10,858,801</u> | <u>1,706,924</u> | <u>523,624</u> |
| 4000 Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 13,892,749</u> | <u>\$ 1,846,294</u> | <u>\$ 523,624</u> |

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

| Other Funds | Total Governmental Funds |
|---------------------|--------------------------------|
| \$ (156,108) | \$ 9,445,951 |
| - | 3,105,347 |
| - | 1,172,705 |
| - | (23,454) |
| 782,959 | 3,041,694 |
| 4,421 | 4,421 |
| 482,598 | 522,105 |
| 28,299 | 28,299 |
| - | 107,768 |
| <u>\$ 1,142,169</u> | <u>\$ 17,404,836</u> |
| | |
| \$ 282,260 | \$ 295,596 |
| - | 20,528 |
| 218,066 | 2,192,069 |
| 4,421 | 4,421 |
| 10,198 | 10,198 |
| 260 | 16,460 |
| <u>515,205</u> | <u>2,539,272</u> |
| | |
| - | 1,149,251 |
| <u>-</u> | <u>1,149,251</u> |
| | |
| 28,299 | 28,299 |
| - | 107,768 |
| 381,273 | 381,273 |
| - | 1,706,924 |
| 26,775 | 26,775 |
| - | 2,023,624 |
| 190,617 | 190,617 |
| - | 9,251,033 |
| <u>626,964</u> | <u>13,716,313</u> |
| | |
| <u>\$ 1,142,169</u> | <u>\$ 17,404,836</u> |

ATHENS INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 JUNE 30, 2014

EXHIBIT C-2

| | | |
|--|-----------|-------------------|
| Total Fund Balances - Governmental Funds | \$ | 13,716,313 |
| 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 \$62,794,572 and the accumulated depreciation was \$23,862,347. 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 \$24,332,781. 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. | | 14,599,444 |
| 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 2014 capital outlays and debt principal payments is to increase (decrease) net position. | | 2,862,889 |
| 3 The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. | | (2,271,440) |
| 4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position. | | 740,088 |
| 19 Net Position of Governmental Activities | <u>\$</u> | <u>29,647,294</u> |

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, 2014

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | 60 Capital Projects |
|--|-----------------------|----------------------------|---------------------------|
| REVENUES: | | | |
| 5700 Total Local and Intermediate Sources | \$ 12,898,767 | \$ 1,828,573 | \$ 97 |
| 5800 State Program Revenues | 12,144,789 | - | - |
| 5900 Federal Program Revenues | 297,237 | 273,285 | - |
| 5020 Total Revenues | <u>25,340,793</u> | <u>2,101,858</u> | <u>97</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 Instruction | 13,295,994 | - | 7,875 |
| 0012 Instructional Resources and Media Services | 327,561 | - | - |
| 0013 Curriculum and Instructional Staff Development | 29,599 | - | - |
| 0021 Instructional Leadership | 198,563 | - | - |
| 0023 School Leadership | 1,500,055 | - | - |
| 0031 Guidance, Counseling and Evaluation Services | 666,697 | - | - |
| 0033 Health Services | 171,381 | - | - |
| 0034 Student (Pupil) Transportation | 1,169,109 | - | 370,872 |
| 0035 Food Services | - | - | - |
| 0036 Extracurricular Activities | 964,082 | - | 6,192 |
| 0041 General Administration | 940,077 | - | - |
| 0051 Facilities Maintenance and Operations | 2,684,341 | - | 45,765 |
| 0052 Security and Monitoring Services | 230,378 | - | - |
| 0053 Data Processing Services | 456,218 | - | 56,157 |
| 0061 Community Services | - | - | - |
| Debt Service: | | | |
| 0071 Principal on Long Term Debt | 190,000 | 1,410,000 | - |
| 0072 Interest on Long Term Debt | 159,918 | 729,432 | - |
| 0073 Bond Issuance Cost and Fees | 1,000 | 1,731 | - |
| Capital Outlay: | | | |
| 0081 Facilities Acquisition and Construction | - | - | 561,379 |
| Intergovernmental: | | | |
| 0099 Other Intergovernmental Charges | 233,250 | - | - |
| 6030 Total Expenditures | <u>23,218,223</u> | <u>2,141,163</u> | <u>1,048,240</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>2,122,570</u> | <u>(39,305)</u> | <u>(1,048,143)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| 7915 Transfers In | - | 26,000 | 855,500 |
| 8911 Transfers Out (Use) | (881,500) | - | - |
| 7080 Total Other Financing Sources (Uses) | <u>(881,500)</u> | <u>26,000</u> | <u>855,500</u> |
| 1200 Net Change in Fund Balances | 1,241,070 | (13,305) | (192,643) |
| 0100 Fund Balance - July 1 (Beginning) | <u>9,617,731</u> | <u>1,720,229</u> | <u>716,267</u> |
| 3000 Fund Balance - June 30 (Ending) | <u>\$ 10,858,801</u> | <u>\$ 1,706,924</u> | <u>\$ 523,624</u> |

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

| Other Funds | Total Governmental Funds |
|-------------------|--------------------------------|
| \$ 641,603 | \$ 15,369,040 |
| 1,280,751 | 13,425,540 |
| 3,737,260 | 4,307,782 |
| <u>5,659,614</u> | <u>33,102,362</u> |
| 3,126,593 | 16,430,462 |
| 7,027 | 334,588 |
| 174,415 | 204,014 |
| 124,160 | 322,723 |
| 5,010 | 1,505,065 |
| 138,286 | 804,983 |
| 7,778 | 179,159 |
| - | 1,539,981 |
| 1,744,222 | 1,744,222 |
| 201,064 | 1,171,338 |
| 25,134 | 965,211 |
| 20,000 | 2,750,106 |
| 10,800 | 241,178 |
| - | 512,375 |
| 46,687 | 46,687 |
| - | 1,600,000 |
| - | 889,350 |
| - | 2,731 |
| - | 561,379 |
| - | 233,250 |
| <u>5,631,176</u> | <u>32,038,802</u> |
| <u>28,438</u> | <u>1,063,560</u> |
| - | 881,500 |
| - | (881,500) |
| - | - |
| <u>28,438</u> | <u>1,063,560</u> |
| <u>598,526</u> | <u>12,652,753</u> |
| <u>\$ 626,964</u> | <u>\$ 13,716,313</u> |

COMBINING STATEMENTS

ATHENS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

| 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 | \$ (109,310) | \$ (138,039) | \$ (907) | \$ (332,702) |
| 1240 | Receivables from Other Governments | 196,183 | 185,613 | 2,290 | 335,441 |
| 1260 | Due from Other Funds | - | - | - | - |
| 1290 | Other Receivables | - | - | - | - |
| 1300 | Inventories | - | - | - | - |
| 1000 | Total Assets | <u>\$ 86,873</u> | <u>\$ 47,574</u> | <u>\$ 1,383</u> | <u>\$ 2,739</u> |
| LIABILITIES | | | | | |
| 2110 | Accounts Payable | \$ - | \$ 262 | \$ - | \$ - |
| 2160 | Accrued Wages Payable | 82,452 | 47,312 | 1,383 | 2,739 |
| 2170 | Due to Other Funds | 4,421 | - | - | - |
| 2180 | Due to Other Governments | - | - | - | - |
| 2300 | Unearned Revenues | - | - | - | - |
| 2000 | Total Liabilities | <u>86,873</u> | <u>47,574</u> | <u>1,383</u> | <u>2,739</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>\$ 86,873</u> | <u>\$ 47,574</u> | <u>\$ 1,383</u> | <u>\$ 2,739</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, 2014

EXHIBIT C-4

| | | |
|--|-----------|------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ | 1,063,560 |
| 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 2014 capital outlays and debt principal payments is to increase (decrease) net position. | | 2,862,889 |
| 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. | | (2,271,440) |
| 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. | | (46,268) |
| Change in Net Position of Governmental Activities | \$ | 1,608,741 |

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, 2014

EXHIBIT E-1

| | Private Purpose Trust Funds | Agency Fund |
|-------------------------------|-----------------------------------|------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 493,755 | \$ 67,579 |
| Total Assets | <u>493,755</u> | <u>\$ 67,579</u> |
| LIABILITIES | | |
| Accounts Payable | - | \$ 4,838 |
| Due to Student Groups | - | 62,741 |
| Total Liabilities | <u>-</u> | <u>\$ 67,579</u> |
| NET POSITION | | |
| Restricted for Scholarships | 88,810 | |
| Restricted for Other Purposes | 404,945 | |
| Total Net Position | <u>\$ 493,755</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, 2014

EXHIBIT E-2

| | Private Purpose Trust Funds |
|---|-----------------------------------|
| <hr/> | |
| ADDITIONS: | |
| Local and Intermediate Sources | \$ 276,297 |
| Total Additions | <u>276,297</u> |
| DEDUCTIONS: | |
| Payroll Costs | 5,504 |
| Professional and Contracted Services | 5,089 |
| Supplies and Materials | 228,161 |
| Other Operating Costs | (4,000) |
| Total Deductions | <u>234,754</u> |
| Change in Net Position | 41,543 |
| Total Net Position - July 1 (Beginning) | <u>452,212</u> |
| Total Net Position - June 30 (Ending) | <u><u>\$ 493,755</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, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District’s nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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

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

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

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

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

The proprietary fund types and fiduciary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The Agency funds apply the accrual basis of accounting but do not have a measurement focus. All assets and all liabilities associated with operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net Position, and unrestricted net position.

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

D. FUND ACCOUNTING

The District reports the following fund types:

Governmental Funds:

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

2. Special Revenue Funds - The District accounts for resources restricted to, or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

3. Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

4. Capital Projects Fund - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Fiduciary Funds:

5. Private Purpose Trust Funds - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Funds are a scholarship fund and specified donation funds.

6. Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the student activity fund.

E. CASH AND CASH EQUIVALENTS

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

F. INVENTORIES

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

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014

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.

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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.

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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:

| Capital Assets at the Beginning of the Year | Historical Cost | Accumulated Depreciation | Net Value at the Beginning of the Year | Change in Net Position |
|---|----------------------|-----------------------------|--|---------------------------|
| Land | \$ 3 012 032 | \$ | \$ 3 012 032 | \$ |
| Buildings & Improvements | 53 962 244 | 19 872 290 | 34 089 954 | |
| Furniture & Equipment | 5 806 730 | 3 990 057 | 1 816 673 | |
| Construction in Progress | <u>13 566</u> | | <u>13 566</u> | |
| Totals | <u>\$ 62 794 572</u> | <u>\$ 23 862 347</u> | | |
| Change in Net Position | | | | <u>\$ 38 932 225</u> |
| | | | | |
| Long-term Liabilities at the Beginning of the Year | | | Payable at the Beginning of the Year | |
| Bonds Payable | | | \$ 19 482 543 | |
| Accretion Payable | | | 718 197 | |
| Loans Payable | | | 4 055 000 | |
| Premium (Discount) on Issuance of Bonds | | | <u>77 041</u> | |
| Changes in Net Position | | | | <u>24 332 781</u> |
| Net Adjustment to Net Position | | | | <u>\$ 14 599 444</u> |

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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:

| | Amount | Adjustments to Changes in Net Assets | Adjustment to Net Position |
|----------------------------------|------------|--|-------------------------------|
| Current Year Capital Outlay: | | | |
| Land | \$ 101 525 | \$ | \$ |
| Buildings & Improvements | 183 817 | | |
| Furniture & Equipment | 661 916 | | |
| Non Depreciable Assets | | | |
| Construction in Progress | 315 631 | | |
| Total Capital Outlay | 1 262 889 | 1 262 889 | 1 262 889 |
| Debt Principal Payments: | | | |
| Bond Principal | 1 410 000 | | |
| Loan Principal | 190 000 | | |
| Total Principal Payments | 1 600 000 | 1 600 000 | 1 600 000 |
| Total Adjustment to Net Position | | \$ 2 862 889 | \$ 2 862 889 |

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C. EXPLANATION OF OTHER DIFFERENCES

Another element of the reconciliation on Exhibits C-2 and C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

| | Amount | Adjustments to Change in Net Position | Adjustments to Net Position |
|---|------------|---|--------------------------------|
| Adjustments to Revenue and Deferred Revenue: | | | |
| Taxes Collected from Prior Year Levies | \$ 541 288 | \$ (541 288) | \$ |
| Uncollected Taxes (assumed collectible) from Current Year Levy | 561 234 | 561 234 | 561 234 |
| Uncollected Taxes (assumed collectible) from Prior Year Levy | 588 017 | | 588 017 |
| Accrued Interest on Debt: | | | |
| Prior Year | 342 949 | 342 949 | |
| Current Year | 318 429 | (318 429) | (318 429) |
| Accretion on Capital Appreciation Bonds: | | | |
| Current Year Accrued | 112 989 | (112 989) | (112 989) |
| Current Year Paid | 0 | | |
| Bond Premium Amortization: | | | |
| Current Year | 22 255 | 22 255 | 22 255 |
| Total | | \$ (46 268) | \$ 740 088 |

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III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

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

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

1. Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. The budget was amended as necessary during the year.
4. Each budget is controlled at the organizational level by the administration, appropriate department head or campus principal within Board allocations at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

| | June 30, 2014 Fund Balance |
|---|-------------------------------|
| Appropriated Budget Funds - Food Service Special Revenue Fund | \$ 407 782 |
| Nonappropriated Budget Funds | <u>219 182</u> |
| All Special Revenue Funds | <u>\$ 626 964</u> |

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B. ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Encumbrances outstanding at year-end are commitments that do not constitute expenditures or liabilities, but are reported as assignments of fund balances. Since appropriations lapse at the end of each fiscal year, outstanding encumbrances are appropriately provided for in the subsequent fiscal year's budget to provide for the liquidation of the prior commitments. There were no outstanding encumbrances at the end of the fiscal year that were subsequently provided for in the 2014-2015 budget.

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IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar - weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

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

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

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. During 2013-2014 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 \$17,821,000 and occurred on February 7, 2014. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$23,394,889. The total amount of FDIC coverage at the time of the highest combined balance was \$500,000.

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

CASH DEPOSITS

At June 30, 2014, the amount of the District's cash balance in checking accounts was \$10,007,285. Cash on hand was \$0.

INVESTMENTS

The District's investments at June 30, 2014, are shown below:

| | <u>Cost</u> | <u>Fair Value</u> | <u>Weighed Average Maturity (Years)</u> |
|--|-------------------------|-------------------------|---|
| TexSTAR | \$ 711 332 | \$ 711 359 | .136986 |
| First Public / Lone Star Investment Pool | 686 530 | 686 611 | .153425 |
| Texas CLASS | <u>1 707 485</u> | <u>1 707 587</u> | .136986 |
| Total Investments | <u>\$ 3 105 347</u> | <u>\$ 3 105 557</u> | |

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

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

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B. PROPERTY TAXES

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

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

The assessed value of the property tax roll on January 1, 2013 upon which the levy for the 2013-2014 fiscal year was based, was \$1,211,643,162. The tax rates assessed for the year ended June 30, 2014 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.03738 and \$.14909 per \$100 valuation, respectively, for a total of \$1.18647 per \$100 valuation. Current tax collections for the year ended June 30, 2014 were 96% of the year end adjusted tax levy. As of June 30, 2014, property taxes receivable totaled \$1,030,491 and \$142,214 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, 2014 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 | \$ 2 258 735 | \$ | \$ | \$ | \$ 2 258 735 |
| Other State Grants | | | | | |
| Federal Grants | <u> </u> | <u> </u> | <u> </u> | <u>782 959</u> | <u>782 959</u> |
| Totals | <u>\$ 2 258 735</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 782 959</u> | <u>\$ 3 041 694</u> |

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D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2014 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>4 421</u> | <u>4 421</u> |
| Totals | <u>\$ 4 421</u> | <u>\$ 4 421</u> |

Interfund transfers for the year ended June 30, 2014 consisted of the following individual fund amounts:

| <u>Fund</u> | <u>Transfer In</u> | <u>Transfer Out</u> |
|------------------------|--------------------|---------------------|
| General Fund: | | |
| Debt Service Fund | \$ | \$ 26 000 |
| Capital Projects Fund | | <u>855 500</u> |
| Total | <u>\$</u> | <u>\$ 881 500</u> |
| Debt Service Fund: | | |
| General Fund | <u>26 000</u> | <u>\$</u> |
| Capital Projects Fund: | | |
| General Fund | <u>855 500</u> | <u>\$</u> |
| Totals | <u>\$ 881 500</u> | <u>\$ 881 500</u> |

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E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2014, were as follows:

| | General Fund | Debt Service Fund | Capital Projects Fund | Other Funds | Total |
|----------------------|---------------------|----------------------|--------------------------|---------------------|---------------------|
| Property Taxes (Net) | \$ 1 009 881 | \$ 139 370 | \$ | \$ | \$ 1 149 251 |
| Other Governments | 2 258 735 | | | 782 959 | 3 041 694 |
| Other Funds | | | | 4 421 | 4 421 |
| Other Receivables | 39 507 | | | 482 598 | 522 105 |
| Totals | \$ 3 308 123 | \$ 139 370 | \$ 0 | \$ 1 269 978 | \$ 4 717 471 |

Payables at June 30, 2014, were as follows:

| | General Fund | Debt Service Fund | Capital Projects Fund | Other Funds | Totals |
|--------------------|---------------------|----------------------|--------------------------|-------------------|---------------------|
| Accounts Payable | \$ 13 336 | \$ | \$ | \$ 282 260 | \$ 295 596 |
| Payroll Deductions | 20 528 | | | | 20 528 |
| Accrued Wages | 1 974 003 | | | 218 066 | 2 192 069 |
| Other Funds | | | | 4 421 | 4 421 |
| Other Governments | | | | 10 198 | 10 198 |
| Totals | \$ 2 007 867 | \$ 0 | \$ 0 | \$ 514 945 | \$ 2 522 812 |

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F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended June 30, 2014, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements/ Adjustments</u> | <u>Ending Balance</u> |
|--|------------------------------|-----------------------|-------------------------------------|---------------------------|
| Governmental Activities: | | | | |
| Land | \$ 3 012 032 | \$ 101 525 | \$ | \$ 3 113 557 |
| Building & Improvements | 53 962 244 | 183 817 | 329 197 | 54 475 258 |
| Furniture & Equipment | 5 788 613 | 661 916 | (386 098) | 6 064 431 |
| Non Depreciable Assets | 18 117 | | | 18 117 |
| Construction in Progress | <u>13 566</u> | <u>315 631</u> | <u>(329 197)</u> | <u></u> |
| Total at Historical Cost | <u>62 794 572</u> | <u>1 262 889</u> | <u>(386 098)</u> | <u>63 671 363</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings & Improvements | 19 872 290 | 1 855 210 | | 21 727 500 |
| Furniture & Equipment | <u>3 990 057</u> | <u>416 230</u> | <u>(386 098)</u> | <u>4 020 189</u> |
| Total Accumulated Depreciation | <u>23 862 347</u> | <u>2 271 440</u> | <u>(386 098)</u> | <u>25 747 689</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 38 932 225</u> | <u>\$ (1 008 551)</u> | <u>\$ 0</u> | <u>\$ 37 923 674</u> |

Depreciation expense was charged to governmental functions as follows:

| | | |
|----|--|---------------------|
| 11 | Instruction | \$ 1 420 218 |
| 12 | Instructional Resources and Media Services | 45 571 |
| 13 | Curriculum Development and Instructional Staff Development | 634 |
| 21 | Instructional Leadership | 1 568 |
| 23 | School Leadership | 83 955 |
| 31 | Guidance, Counseling and Evaluation Services | 893 |
| 33 | Health Services | 1 542 |
| 34 | Student (Pupil) Transportation | 211 002 |
| 35 | Food Services | 113 791 |
| 36 | Cocurricular/Extracurricular Activities | 322 163 |
| 41 | General Administration | 7 342 |
| 51 | Plant Maintenance and Operations | 44 815 |
| 52 | Security and Monitoring Services | 8 098 |
| 53 | Data Processing Services | <u>9 848</u> |
| | Total Depreciation Expense | <u>\$ 2 271 440</u> |

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G. BONDS PAYABLE

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

A summary of changes in bonds payable for the year ended June 30, 2014 is as follows:

| <u>Description</u> | <u>Interest Rate Payable</u> | <u>Amounts Original Issue</u> | <u>Amounts Outstanding 7/1/13</u> | <u>Issued</u> | <u>Retired</u> | <u>Amounts Outstanding 6/30/14</u> | <u>Interest Current Year</u> |
|---|--------------------------------------|---------------------------------------|---|---------------|---------------------|--|--------------------------------------|
| Unlimited Tax Refunding Bonds Series 2005 | 3/15% to 4.88% | \$ 15 295 000 | \$ 9 717 543 | \$ | \$ 1 215 000 | \$ 8 502 543 | \$ 327 013 |
| Unlimited Tax School Building Bonds Series 2009 | 3.00 % to 3.7% | \$ 3 750 000 | \$ 3 240 000 | \$ | \$ 195 000 | \$ 3 045 000 | \$ 105 532 |
| Unlimited Tax Qualified School Construction Bonds Series 2011 | 4.55% | \$ | \$ 6 525 000 | \$ | \$ | \$ 6 525 000 | \$ 296 887 |
| Totals | | | <u>\$ 19 482 543</u> | <u>\$ 0</u> | <u>\$ 1 410 000</u> | <u>\$ 18 072 543</u> | <u>\$ 729 432</u> |

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Debt service requirements are as follows:

| <u>Year Ended June 30</u> | <u>General Obligations</u> | | | | <u>Federal Interest Subsidy Amount "QSCB"</u> |
|-------------------------------|----------------------------|-------------------------|---------------------|-------------------------------|---|
| | <u>Principal</u> | <u>Sinking Fund</u> | <u>Interest</u> | <u>Total Requirements</u> | |
| 2015 | \$ 1 480 000 | \$ | \$ 667 183 | \$ 2 147 183 | \$ (296 888) |
| 2016 | 1 545 000 | | 601 807 | 2 146 807 | (296 887) |
| 2017 | 1 625 000 | | 533 358 | 2 158 358 | (296 888) |
| 2018 | 1 705 000 | | 464 064 | 2 169 064 | (296 887) |
| 2019 | 1 775 000 | | 395 326 | 2 170 326 | (296 888) |
| 2020-2024 | 3 072 543 | 3 705 000 | 3 261 124 | 10 038 667 | (1 484 438) |
| 2025 | <u>345 000</u> | <u>2 820 000</u> | <u>451 714</u> | <u>3 616 714</u> | <u>(445 331)</u> |
| Totals | <u>\$ 11 547 543</u> | <u>\$ 6 525 000</u> | <u>\$ 6 374 576</u> | <u>\$ 24 447 119</u> | <u>\$ (3 414 207)</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, 2014.

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statement. As of June 30, 2014 \$9,010,000 of bonds considered defeased are still outstanding.

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H. LOANS PAYABLE

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

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

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

A summary of changes in loans payable for the year ended June 30, 2014 is as follows:

| <u>Description</u> | <u>Interest Rate Payable</u> | <u>Amounts Original Issue</u> | <u>Amounts Outstanding 7/1/13</u> | <u>Issued</u> | <u>Retired</u> | <u>Amounts Outstanding 6/30/14</u> | <u>Interest Current Year</u> |
|---|--------------------------------------|---------------------------------------|---|---------------|-------------------|--|--------------------------------------|
| Maintenance Tax Refunding Bonds Series 2009 | 2.0% to 4.60% | \$ 1 960 000 | \$ 1 250 000 | \$ | \$ 190 000 | \$ 1 060 000 | \$ 39 665 |
| Maintenance Tax Note Series 2009 | 3.75% to 4.60% | \$ 2 805 000 | 2 805 000 | | | 2 805 000 | 120 253 |
| Totals | | | <u>\$ 4 055 000</u> | <u>\$ 0</u> | <u>\$ 190 000</u> | <u>\$ 3 865 000</u> | <u>\$ 159 918</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> | |
| 2015 | \$ 200 000 | \$ 154 693 | \$ 354 693 |
| 2016 | 205 000 | 148 693 | 353 693 |
| 2017 | 210 000 | 142 542 | 352 542 |
| 2018 | 220 000 | 135 717 | 355 717 |
| 2019 | 225 000 | 128 128 | 353 128 |
| 2020-2024 | 1 250 000 | 506 547 | 1 756 547 |
| 2025-2029 | 1 555 000 | 216 765 | 1 771 765 |
| | <u>\$ 3 865 000</u> | <u>\$ 1 433 085</u> | <u>\$ 5 298 085</u> |

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

I. CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2014, was as follows:

| | Beginning Balance | <u>Additions</u> | <u>Reductions</u> | Ending Balance | <u>Due Within One Year</u> |
|---|----------------------|-------------------|---------------------|----------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Bonds Payable: | | | | | |
| General Obligation Bonds | \$ 19 482 543 | <u>\$</u> | <u>\$ 1 410 000</u> | <u>\$ 18 072 543</u> | <u>\$ 1 480 000</u> |
| Accretion Payable: | | | | | |
| Capital Appreciation Bonds | <u>718 197</u> | <u>112 989</u> | <u></u> | <u>831 186</u> | <u></u> |
| Loans Payable: | | | | | |
| Maintenance Tax Notes | <u>4 055 000</u> | <u></u> | <u>190 000</u> | <u>3 865 000</u> | <u>200 000</u> |
| Premium (Discount) on Issuance of Bonds: | | | | | |
| Premium | <u>77 041</u> | <u></u> | <u>22 255</u> | <u>54 786</u> | <u></u> |
| Total Governmental Activities Long-term Liabilities | <u>\$ 24 332 781</u> | <u>\$ 112 989</u> | <u>\$ 1 622 255</u> | <u>\$ 22 823 515</u> | <u>\$ 1 680 000</u> |

J. UNEARNED REVENUE AND UNAVAILABLE REVENUE

Unearned revenue at the fiscal year-end 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> |
|---|-------------------------|------------------------------|----------------------------------|------------------------|---------------------|
| State Foundation Facilities Lease Campus Activity | \$ 16 200 | \$ | \$ | \$ 260 | \$ 16 200 260 |
| Totals | <u>\$ 16 200</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 260</u> | <u>\$ 16 460</u> |

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

| | | | | | |
|--------------------|---------------------|-------------------|-----------|-----------|---------------------|
| Net Property Taxes | <u>\$ 1 009 881</u> | <u>\$ 139 370</u> | <u>\$</u> | <u>\$</u> | <u>\$ 1 149 251</u> |
|--------------------|---------------------|-------------------|-----------|-----------|---------------------|

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

K. FUND BALANCE

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

| <u>Fund Balance</u> | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Other Funds</u> | <u>Total</u> |
|-------------------------|-------------------------|----------------------------------|--------------------------------------|------------------------|----------------------|
| Nonspendable: | | | | | |
| Inventory | \$ | \$ | \$ | \$ 28 299 | \$ 28 299 |
| Prepaid Items | <u>107 768</u> | <u> </u> | <u> </u> | <u> </u> | <u>107 768</u> |
| Total Nonspendable | <u>107 768</u> | <u> </u> | <u> </u> | <u>28 299</u> | <u>136 067</u> |
| Restricted: | | | | | |
| Federal Grants | | | | 379 483 | 379 483 |
| State Grants | | | | 1 790 | 1 790 |
| Debt Service | | 1 706 924 | | | 1 706 924 |
| Capital Projects | | | | | |
| Other | <u> </u> | <u> </u> | <u> </u> | <u>26 775</u> | <u>26 775</u> |
| Total Restricted | <u> </u> | <u>1 706 924</u> | <u> </u> | <u>408 048</u> | <u>2 114 972</u> |
| Committed: | | | | | |
| Construction | <u>1 500 000</u> | <u> </u> | <u>523 624</u> | <u> </u> | <u>2 023 624</u> |
| Total Committed | <u>1 500 000</u> | <u> </u> | <u>523 624</u> | <u> </u> | <u>2 023 624</u> |
| Assigned: | | | | | |
| Campus Activity | <u> </u> | <u> </u> | <u> </u> | <u>190 617</u> | <u>190 617</u> |
| Total Assigned | <u> </u> | <u> </u> | <u> </u> | <u>190 617</u> | <u>190 617</u> |
| Unassigned | <u>9 251 033</u> | <u> </u> | <u> </u> | <u> </u> | <u>9 251 033</u> |
| Total Fund Balances | <u>\$ 10 858 801</u> | <u>\$ 1 706 924</u> | <u>\$ 523 624</u> | <u>\$ 626 964</u> | <u>\$ 13 716 313</u> |

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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 | \$ 12 477 995 | \$ 1 793 030 | \$ | \$ | \$ 14 271 025 |
| Penalties, Interest & Other | | | | | |
| Tax Related Income | 212 976 | 30 580 | | | 243 556 |
| Food Sales | | | | 309 001 | 309 001 |
| Investment Income | 51 721 | 4 963 | 97 | 2 055 | 58 836 |
| Co-curricular Student | | | | | |
| Activities | 71 915 | | | 190 617 | 262 532 |
| Other | <u>84 160</u> | | | <u>139 930</u> | <u>224 090</u> |
| Totals | <u>\$ 12 898 767</u> | <u>\$ 1 828 573</u> | <u>\$ 97</u> | <u>\$ 641 603</u> | <u>\$ 15 369 040</u> |

M. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provided for minimum future rental payments as of June 30, 2014, as follows:

| <u>Year Ended June 30</u> | <u>Total</u> |
|---|-------------------|
| 2015 | \$ 143 001 |
| 2016 | 72 620 |
| 2017 | 45 020 |
| 2018 | <u>30 815</u> |
| Total Minimum Rentals | <u>\$ 291 456</u> |
| Rental Expenditures in Fiscal Year 2014 | <u>\$ 131 622</u> |

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

N. PENSION PLAN

Plan Description

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

Funding Policy

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

The District's employees' contributions to the System for the years ending June 30, 2012, June 30, 2013 and June 30, 2014 were \$1,075,536, \$1,060,436 and \$1,087,253, respectively. Other contributions made from federal and private grants and from the district for salaries above the statutory minimum for the years ending June 30, 2012, June 30, 2013 and June 30, 2014 were \$192,677, \$185,640 and \$180,430, respectively.

The on behalf amounts contributed by the State, \$1,142,797, are reflected in the financial statements in the General Fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24.

O. HEALTH CARE

During the year ended June 30, 2014 employees of the Athens Independent School District were covered by the state sponsored health insurance plan. The district paid premiums of \$300 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents.

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

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

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

ATHENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 is estimated by TRS at \$45,203.

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, 2014

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 at June 30, 2014 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 2014 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.

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, 2014

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) | |
|--|--|---------------|--------------------------------|--|--------------|
| | Original | Final | | | |
| REVENUES: | | | | | |
| 5700 | Total Local and Intermediate Sources | \$ 12,292,562 | \$ 12,313,362 | \$ 12,898,767 | \$ 585,405 |
| 5800 | State Program Revenues | 11,910,576 | 12,010,576 | 12,144,789 | 134,213 |
| 5900 | Federal Program Revenues | 130,000 | 130,000 | 297,237 | 167,237 |
| 5020 | Total Revenues | 24,333,138 | 24,453,938 | 25,340,793 | 886,855 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| 0011 | Instruction | 13,230,938 | 13,580,938 | 13,295,994 | 284,944 |
| 0012 | Instructional Resources and Media Services | 364,000 | 364,000 | 327,561 | 36,439 |
| 0013 | Curriculum and Instructional Staff Development | 65,000 | 65,000 | 29,599 | 35,401 |
| 0021 | Instructional Leadership | 381,000 | 281,000 | 198,563 | 82,437 |
| 0023 | School Leadership | 1,570,000 | 1,570,000 | 1,500,055 | 69,945 |
| 0031 | Guidance, Counseling and Evaluation Services | 758,000 | 758,000 | 666,697 | 91,303 |
| 0033 | Health Services | 207,000 | 207,000 | 171,381 | 35,619 |
| 0034 | Student (Pupil) Transportation | 1,240,000 | 1,240,000 | 1,169,109 | 70,891 |
| 0036 | Extracurricular Activities | 1,062,000 | 1,062,000 | 964,082 | 97,918 |
| 0041 | General Administration | 1,175,000 | 1,115,000 | 940,077 | 174,923 |
| 0051 | Facilities Maintenance and Operations | 2,946,000 | 2,883,800 | 2,684,341 | 199,459 |
| 0052 | Security and Monitoring Services | 228,000 | 236,000 | 230,378 | 5,622 |
| 0053 | Data Processing Services | 463,000 | 463,000 | 456,218 | 6,782 |
| Debt Service: | | | | | |
| 0071 | Principal on Long Term Debt | 216,000 | 190,000 | 190,000 | - |
| 0072 | Interest on Long Term Debt | 159,918 | 159,918 | 159,918 | - |
| 0073 | Bond Issuance Cost and Fees | 1,982 | 1,982 | 1,000 | 982 |
| Intergovernmental: | | | | | |
| 0099 | Other Intergovernmental Charges | 265,300 | 250,300 | 233,250 | 17,050 |
| 6030 | Total Expenditures | 24,333,138 | 24,427,938 | 23,218,223 | 1,209,715 |
| 1100 | Excess of Revenues Over Expenditures | - | 26,000 | 2,122,570 | 2,096,570 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 8911 | Transfers Out (Use) | - | (881,500) | (881,500) | - |
| 1200 | Net Change in Fund Balances | - | (855,500) | 1,241,070 | 2,096,570 |
| 0100 | Fund Balance - July 1 (Beginning) | 9,617,731 | 9,617,731 | 9,617,731 | - |
| 3000 | Fund Balance - June 30 (Ending) | \$ 9,617,731 | \$ 8,762,231 | \$ 10,858,801 | \$ 2,096,570 |

EXHIBIT H-1 (Cont'd)

| 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 Teacher Training Reimbursement |
|---|---|--|---|---|--------------------------------|-------------------------------------|---|
| \$ 396,416 | \$ (4,483) | \$ (13,731) | \$ (14,467) | \$ (5,354) | \$ - | \$ - | \$ 1,745 |
| 5,579 | 4,487 | 20,132 | 22,818 | 10,416 | - | - | - |
| - | - | - | - | 4,421 | - | - | - |
| - | - | - | - | - | - | - | - |
| 28,299 | - | - | - | - | - | - | - |
| <u>\$ 430,294</u> | <u>\$ 4</u> | <u>\$ 6,401</u> | <u>\$ 8,351</u> | <u>\$ 9,483</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,745</u> |
| \$ 19,778 | \$ 4 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2,734 | - | 6,401 | 8,351 | 9,483 | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 22,512 | 4 | 6,401 | 8,351 | 9,483 | - | - | - |
| 28,299 | - | - | - | - | - | - | - |
| 379,483 | - | - | - | - | - | - | 1,745 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 407,782 | - | - | - | - | - | - | 1,745 |
| <u>\$ 430,294</u> | <u>\$ 4</u> | <u>\$ 6,401</u> | <u>\$ 8,351</u> | <u>\$ 9,483</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,745</u> |

ATHENS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

| Data Control Codes | 404 Student Success Initiative | 410 State Textbook Fund | 425 District Awards Teacher Excel | 428 Ready to Read License Plate | |
|----------------------------|--|----------------------------------|--|--|--------------|
| ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | \$ - | \$ 251,502 | \$ - | \$ 45 |
| 1240 | Receivables from Other Governments | - | - | - | - |
| 1260 | Due from Other Funds | - | - | - | - |
| 1290 | Other Receivables | - | - | - | - |
| 1300 | Inventories | - | - | - | - |
| 1000 | Total Assets | <u>\$ -</u> | <u>\$ 251,502</u> | <u>\$ -</u> | <u>\$ 45</u> |
| LIABILITIES | | | | | |
| 2110 | Accounts Payable | \$ - | \$ 251,502 | \$ - | \$ - |
| 2160 | Accrued Wages Payable | - | - | - | - |
| 2170 | Due to Other Funds | - | - | - | - |
| 2180 | Due to Other Governments | - | - | - | - |
| 2300 | Unearned Revenues | - | - | - | - |
| 2000 | Total Liabilities | <u>-</u> | <u>251,502</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Nonspendable Fund Balance: | | | | | |
| 3410 | Inventories | - | - | - | - |
| Restricted Fund Balance: | | | | | |
| 3450 | Federal or State Funds Grant Restriction | - | - | - | 45 |
| 3490 | Other Restricted Fund Balance | - | - | - | - |
| Assigned Fund Balance: | | | | | |
| 3590 | Other Assigned Fund Balance | - | - | - | - |
| 3000 | Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>45</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ -</u> | <u>\$ 251,502</u> | <u>\$ -</u> | <u>\$ 45</u> |

| 461 Campus Activity Funds | 480 Dairy Max Grant | 494 Teacher Incentive Fund | 496 Athens Public Education Grant | 497 Texas High School Project | 498 Murchison Foundation Pinnacle ECHS | Total Nonmajor Governmental Funds |
|------------------------------------|------------------------------|-------------------------------------|--|--|---|--|
| \$ 206,303 | \$ 4,500 | \$ (419,901) | \$ 5,494 | \$ 44 | \$ 16,737 | \$ (156,108) |
| - | - | - | - | - | - | 782,959 |
| - | - | - | - | - | - | 4,421 |
| 5,486 | - | 477,112 | - | - | - | 482,598 |
| - | - | - | - | - | - | 28,299 |
| <u>\$ 211,789</u> | <u>\$ 4,500</u> | <u>\$ 57,211</u> | <u>\$ 5,494</u> | <u>\$ 44</u> | <u>\$ 16,737</u> | <u>\$ 1,142,169</u> |
| \$ 10,714 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 282,260 |
| - | - | 57,211 | - | - | - | 218,066 |
| - | - | - | - | - | - | 4,421 |
| 10,198 | - | - | - | - | - | 10,198 |
| 260 | - | - | - | - | - | 260 |
| <u>21,172</u> | <u>-</u> | <u>57,211</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>515,205</u> |
| - | - | - | - | - | - | 28,299 |
| - | - | - | - | - | - | 381,273 |
| - | 4,500 | - | 5,494 | 44 | 16,737 | 26,775 |
| 190,617 | - | - | - | - | - | 190,617 |
| <u>190,617</u> | <u>4,500</u> | <u>-</u> | <u>5,494</u> | <u>44</u> | <u>16,737</u> | <u>626,964</u> |
| <u>\$ 211,789</u> | <u>\$ 4,500</u> | <u>\$ 57,211</u> | <u>\$ 5,494</u> | <u>\$ 44</u> | <u>\$ 16,737</u> | <u>\$ 1,142,169</u> |

ATHENS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

| 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 | 937,772 | 707,385 | 15,946 | 335,441 |
| 5020 Total Revenues | <u>937,772</u> | <u>707,385</u> | <u>15,946</u> | <u>335,441</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 704,997 | 482,170 | 15,946 | 312,582 |
| 0012 Instructional Resources and Media Services | - | - | - | - |
| 0013 Curriculum and Instructional Staff Development | 52,026 | 74,197 | - | 5,375 |
| 0021 Instructional Leadership | 79,991 | 44,169 | - | - |
| 0023 School Leadership | - | - | - | - |
| 0031 Guidance, Counseling and Evaluation Services | 21,731 | 106,849 | - | 9,706 |
| 0033 Health Services | - | - | - | 7,778 |
| 0035 Food Services | - | - | - | - |
| 0036 Extracurricular Activities | - | - | - | - |
| 0041 General Administration | 21,540 | - | - | - |
| 0051 Facilities Maintenance and Operations | - | - | - | - |
| 0052 Security and Monitoring Services | 10,800 | - | - | - |
| 0061 Community Services | 46,687 | - | - | - |
| 6030 Total Expenditures | <u>937,772</u> | <u>707,385</u> | <u>15,946</u> | <u>335,441</u> |
| 1200 Net Change in Fund Balance | - | - | - | - |
| 0100 Fund Balance - July 1 (Beginning) | - | - | - | - |
| 3000 Fund Balance - June 30 (Ending) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

| 240 National Breakfast and Lunch Program | 244 Career and Technical - Basic Grant | 255 ESEA II,A Training and Recruiting | 263 Title III, A English Lang. Acquisition | 270 ESEA VI, Pt B Rural & Low Income | 289 Summer School LEP | 385 Visually Impaired SSVI | 397 Teacher Training Reimbursement |
|---|---|--|---|---|--------------------------------|-------------------------------------|---|
| \$ 311,056 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 250 |
| 10,136 | - | - | - | - | - | 2,250 | 1,750 |
| 1,463,289 | 44,872 | 84,404 | 78,546 | 66,266 | 3,339 | - | - |
| <u>1,784,481</u> | <u>44,872</u> | <u>84,404</u> | <u>78,546</u> | <u>66,266</u> | <u>3,339</u> | <u>2,250</u> | <u>2,000</u> |
| - | 44,872 | 68,373 | 78,546 | 59,366 | 3,339 | 2,250 | 255 |
| - | - | - | - | - | - | - | - |
| - | - | 16,031 | - | 6,900 | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 1,744,222 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 20,000 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>1,764,222</u> | <u>44,872</u> | <u>84,404</u> | <u>78,546</u> | <u>66,266</u> | <u>3,339</u> | <u>2,250</u> | <u>255</u> |
| 20,259 | - | - | - | - | - | - | 1,745 |
| <u>387,523</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ 407,782</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,745</u> |

ATHENS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

| Data Control Codes | 404 Student Success Initiative | 410 State Textbook Fund | 425 District Awards Teacher Excel | 428 Ready to Read License Plate |
|---|---|----------------------------------|--|--|
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ - | \$ - | \$ - | \$ - |
| 5800 State Program Revenues | 1,514 | 563,824 | 66,410 | - |
| 5900 Federal Program Revenues | - | - | - | - |
| 5020 Total Revenues | <u>1,514</u> | <u>563,824</u> | <u>66,410</u> | <u>-</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 1,514 | 558,743 | 62,920 | - |
| 0012 Instructional Resources and Media Services | - | 5,527 | - | - |
| 0013 Curriculum and Instructional Staff Development | - | - | 3,490 | - |
| 0021 Instructional Leadership | - | - | - | - |
| 0023 School Leadership | - | - | - | - |
| 0031 Guidance, Counseling and Evaluation Services | - | - | - | - |
| 0033 Health Services | - | - | - | - |
| 0035 Food Services | - | - | - | - |
| 0036 Extracurricular Activities | - | - | - | - |
| 0041 General Administration | - | - | - | - |
| 0051 Facilities Maintenance and Operations | - | - | - | - |
| 0052 Security and Monitoring Services | - | - | - | - |
| 0061 Community Services | - | - | - | - |
| 6030 Total Expenditures | <u>1,514</u> | <u>564,270</u> | <u>66,410</u> | <u>-</u> |
| 1200 Net Change in Fund Balance | - | (446) | - | - |
| 0100 Fund Balance - July 1 (Beginning) | <u>-</u> | <u>446</u> | <u>-</u> | <u>45</u> |
| 3000 Fund Balance - June 30 (Ending) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 45</u> |

| 461 Campus Activity Funds | 480 Dairy Max Grant | 494 Teacher Incentive Fund | 496 Athens Public Education Grant | 497 Texas High School Project | 498 Murchison Foundation Pinnacle ECHS | Total Nonmajor Governmental Funds |
|------------------------------------|------------------------------|-------------------------------------|--|--|---|--|
| \$ 190,617 | \$ - | \$ - | \$ 19,680 | \$ - | \$ 120,000 | \$ 641,603 |
| - | - | 634,867 | - | - | - | 1,280,751 |
| - | - | - | - | - | - | 3,737,260 |
| <u>190,617</u> | <u>-</u> | <u>634,867</u> | <u>19,680</u> | <u>-</u> | <u>120,000</u> | <u>5,659,614</u> |
| (120) | - | 609,922 | 17,286 | - | 103,632 | 3,126,593 |
| - | - | - | 1,500 | - | - | 7,027 |
| - | - | 16,341 | - | - | 55 | 174,415 |
| - | - | - | - | - | - | 124,160 |
| - | - | 5,010 | - | - | - | 5,010 |
| - | - | - | - | - | - | 138,286 |
| - | - | - | - | - | - | 7,778 |
| - | - | - | - | - | - | 1,744,222 |
| 201,064 | - | - | - | - | - | 201,064 |
| - | - | 3,594 | - | - | - | 25,134 |
| - | - | - | - | - | - | 20,000 |
| - | - | - | - | - | - | 10,800 |
| - | - | - | - | - | - | 46,687 |
| <u>200,944</u> | <u>-</u> | <u>634,867</u> | <u>18,786</u> | <u>-</u> | <u>103,687</u> | <u>5,631,176</u> |
| (10,327) | - | - | 894 | - | 16,313 | 28,438 |
| <u>200,944</u> | <u>4,500</u> | <u>-</u> | <u>4,600</u> | <u>44</u> | <u>424</u> | <u>598,526</u> |
| <u>\$ 190,617</u> | <u>\$ 4,500</u> | <u>\$ -</u> | <u>\$ 5,494</u> | <u>\$ 44</u> | <u>\$ 16,737</u> | <u>\$ 626,964</u> |

REQUIRED TEA SCHEDULES

ATHENS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2014

| Last 10 Years | (1) | (2) | (3) |
|--------------------------------|-------------|--------------|--|
| | Tax Rates | | Assessed/Appraised Value for School Tax Purposes |
| | Maintenance | Debt Service | |
| 2005 and prior years | Various | Various | \$ Various |
| 2006 | 1.454000 | 0.116000 | 850,712,573 |
| 2007 | 1.329260 | 0.116000 | 930,094,032 |
| 2008 | 1.037380 | 0.116000 | 994,276,441 |
| 2009 | 1.037380 | 0.116000 | 1,048,529,594 |
| 2010 | 1.037380 | 0.149090 | 1,137,304,695 |
| 2011 | 1.037380 | 0.149090 | 1,141,663,954 |
| 2012 | 1.037380 | 0.149090 | 1,164,508,362 |
| 2013 | 1.037380 | 0.149090 | 1,189,283,883 |
| 2014 (School year under audit) | 1.037380 | 0.149090 | 1,211,643,162 |
| 1000 TOTALS | | | |

| (10) Beginning Balance 7/1/2013 | (20) Current Year's Total Levy | (31) Maintenance Collections | (32) Debt Service Collections | (40) Entire Year's Adjustments | (50) Ending Balance 6/30/2014 |
|--|---|------------------------------------|-------------------------------------|---|--|
| \$ 166,522 | \$ - | \$ 3,942 | \$ 736 | \$ (31,068) | \$ 130,776 |
| 35,749 | - | 1,807 | 144 | (2,164) | 31,634 |
| 33,423 | - | 2,287 | 199 | (2,167) | 28,770 |
| 28,822 | - | 2,125 | 238 | (2,172) | 24,287 |
| 38,263 | - | 4,309 | 482 | (1,670) | 31,802 |
| 59,369 | - | 11,548 | 1,660 | (1,814) | 44,347 |
| 87,624 | - | 23,653 | 3,399 | (2,269) | 58,303 |
| 170,759 | - | 54,034 | 7,766 | (2,283) | 106,676 |
| 531,821 | - | 331,919 | 47,703 | (8,777) | 143,422 |
| - | 14,375,783 | 12,042,371 | 1,730,703 | (30,021) | 572,688 |
| <u>\$ 1,152,352</u> | <u>\$ 14,375,783</u> | <u>\$ 12,477,995</u> | <u>\$ 1,793,030</u> | <u>\$ (84,405)</u> | <u>\$ 1,172,705</u> |

ATHENS INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT J-3

UNAUDITED

| | | | |
|----|---|------------|-------------------|
| 1 | Total General Fund Balance as of 6/30/14 (Exhibit C-1 object 3000 for the General Fund Only) | | \$ 10,858,801 |
| 2 | Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only) | \$ 107,768 | |
| 3 | Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only) | - | |
| 4 | Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only) | 1,500,000 | |
| 5 | Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only) | - | |
| 6 | Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.) | 1,500,000 | |
| 7 | Estimate of two month's average cash disbursements during the fiscal year. | 4,000,000 | |
| 8 | Estimate of delayed payments from state sources (58xx). | 2,261,164 | |
| 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) | 782,959 | |
| 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>10,151,891</u> |
| 13 | Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12) | | <u>\$ 706,910</u> |

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

The Athens ISD is planning facility improvements at two campuses during the 2014-2015 fiscal year.

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, 2014

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|--|------------------|------------|--------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 325,234 | \$ 325,234 | \$ 311,056 | \$ (14,178) |
| 5800 State Program Revenues | 10,311 | 10,311 | 10,136 | (175) |
| 5900 Federal Program Revenues | 1,395,200 | 1,445,200 | 1,463,289 | 18,089 |
| 5020 Total Revenues | 1,730,745 | 1,780,745 | 1,784,481 | 3,736 |
| EXPENDITURES: | | | | |
| 0035 Food Services | 1,710,745 | 1,760,745 | 1,744,222 | 16,523 |
| 0051 Facilities Maintenance and Operations | 20,000 | 20,000 | 20,000 | - |
| 6030 Total Expenditures | 1,730,745 | 1,780,745 | 1,764,222 | 16,523 |
| 1200 Net Change in Fund Balances | - | - | 20,259 | 20,259 |
| 0100 Fund Balance - July 1 (Beginning) | 387,523 | 387,523 | 387,523 | - |
| 3000 Fund Balance - June 30 (Ending) | \$ 387,523 | \$ 387,523 | \$ 407,782 | \$ 20,259 |

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, 2014

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) | |
|---------------------------------|---|--------------|--------------------------------|--|-------------|
| | Original | Final | | | |
| REVENUES: | | | | | |
| 5700 | Total Local and Intermediate Sources | \$ 1,884,783 | \$ 1,844,346 | \$ 1,828,573 | \$ (15,773) |
| 5900 | Federal Program Revenues | 296,887 | 296,888 | 273,285 | (23,603) |
| 5020 | Total Revenues | 2,181,670 | 2,141,234 | 2,101,858 | (39,376) |
| EXPENDITURES: | | | | | |
| Debt Service: | | | | | |
| 0071 | Principal on Long Term Debt | 1,450,436 | 1,410,000 | 1,410,000 | - |
| 0072 | Interest on Long Term Debt | 729,434 | 729,434 | 729,432 | 2 |
| 0073 | Bond Issuance Cost and Fees | 1,800 | 1,800 | 1,731 | 69 |
| 6030 | Total Expenditures | 2,181,670 | 2,141,234 | 2,141,163 | 71 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | (39,305) | (39,305) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7915 | Transfers In | - | - | 26,000 | 26,000 |
| 1200 | Net Change in Fund Balances | - | - | (13,305) | (13,305) |
| 0100 | Fund Balance - July 1 (Beginning) | 1,720,229 | 1,720,229 | 1,720,229 | - |
| 3000 | Fund Balance - June 30 (Ending) | \$ 1,720,229 | \$ 1,720,229 | \$ 1,706,924 | \$ (13,305) |

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

P. O. Box 912
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Athens, Texas 75751
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**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the year ended June 30, 2014 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 16, 2014.

Internal Control Over Financial Reporting

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

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

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

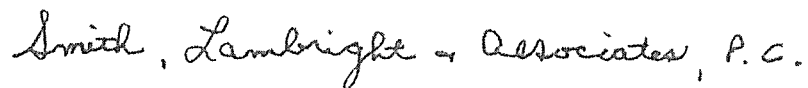
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



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

October 16, 2014

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

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

Cheri E. Kirkland, CPA

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Athens, Texas 75751
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**Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance;
and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the District 's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. 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, 2014.

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.

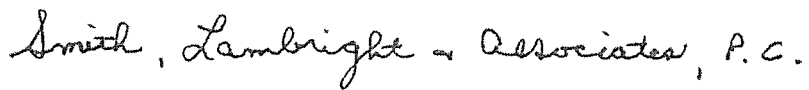
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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, 2014, and have issued our report thereon dated October 16, 2014 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,



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

October 16, 2014

ATHENS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR YEAR ENDED JUNE 30, 2014

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 |
|-------------|------------------------------------|
| 84.010A | ESEA Title I, Part A |
| | IDEA Cluster |
| 84.027 | IDEA - Part B, Formula |
| 84.027 | IDEA - Part B, Discretionary |
| 84.173 | IDEA - Part B, Preschool |

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, 2014

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, 2014

N/A

ATHENS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2014

N/A

ATHENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT K-1 (Cont'd)

| (1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | (2) Federal CFDA Number | (3) Pass-Through Entity Identifying Number | (4) Federal Expenditures |
|--|----------------------------------|---|--------------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| <u>Passed Through State Department of Education</u> | | | |
| *ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 13-610101107901 | \$ 84,362 |
| *ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 14-610101107901 | 853,410 |
| Total CFDA Number 84.010A | | | <u>937,772</u> |
| Total Title I, Part A Cluster | | | <u>937,772</u> |
| **IDEA - Part B, Formula | 84.027 | 13-660001107901 | 106,079 |
| **IDEA - Part B, Formula | 84.027 | 14-660001107901 | 601,306 |
| **IDEA - Part B, Discretionary | 84.027 | 14-660006107901 | 335,441 |
| Total CFDA Number 84.027 | | | <u>1,042,826</u> |
| **IDEA - Part B, Preschool | 84.173 | 13-661001107901 | 100 |
| **IDEA - Part B, Preschool | 84.173 | 14-661001107901 | 15,846 |
| Total CFDA Number 84.173 | | | <u>15,946</u> |
| Total Special Education Cluster (IDEA) | | | <u>1,058,772</u> |
| Career and Technical - Basic Grant | 84.048 | 14-420006107901 | 44,872 |
| ESEA, Title VI, Part B - Rural & Low Income Prog. | 84.358B | 13-696001107901 | 6,900 |
| ESEA, Title VI, Part B - Rural & Low Income Prog. | 84.358B | 14-696001107901 | 59,366 |
| Total CFDA Number 84.358B | | | <u>66,266</u> |
| Title III, Part A - English Language Acquisition | 84.365A | 13-671001107901 | 2,149 |
| Title III, Part A - English Language Acquisition | 84.365A | 14-671001107901 | 76,397 |
| Total CFDA Number 84.365A | | | <u>78,546</u> |
| ESEA, Title II, Part A, Teacher/Principal Training | 84.367A | 13-694501107901 | 27,790 |
| ESEA, Title II, Part A, Teacher/Principal Training | 84.367A | 14-694501107901 | 56,614 |
| Total CFDA Number 84.367A | | | <u>84,404</u> |
| Summer School-LEP | 84.369A | 14-69551102 | 3,339 |
| Total Passed Through State Department of Education | | | <u>\$ 2,273,971</u> |
| TOTAL DEPARTMENT OF EDUCATION | | | <u>\$ 2,273,971</u> |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <u>Passed Through the State Department of Agriculture</u> | | | |
| ***School Breakfast Program | 10.553 | | \$ 317,574 |
| ***National School Lunch Program-Cash Assistance | 10.555 | | 1,032,859 |
| ***National School Lunch Prog.-Non-Cash Assistance | 10.555 | | 112,856 |
| Total CFDA Number 10.555 | | | <u>1,463,289</u> |
| Total Child Nutrition Cluster | | | <u>1,463,289</u> |
| Total Passed Through the State Department of Agriculture | | | <u>\$ 1,463,289</u> |
| TOTAL DEPARTMENT OF AGRICULTURE | | | <u>\$ 1,463,289</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 3,737,260</u> |

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

ATHENS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT K-1

| (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 \$297,237 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 \$273,285 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, 2014

Basis of Presentation:

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

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

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District for the year ended June 30, 2014. 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 4, 2014. 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, 2013, we offer the following additional comments:

1. Accounting Records:

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

2. Budget Variances:

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

3. Cash and Investments:

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

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

4. Fund Balance:

The fund balance in the general fund at June 30 was \$10,858,801, which was an increase of \$1,241,070 from the prior year. The fund balance of the debt service fund was \$1,706,924. The fund balance in the capital projects fund was \$523,624. The fund balance in the special revenue fund - food service was \$407,782.

5. Bonded Debt

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

6. Compliance:

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

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

Respectfully submitted,

Smith, Lambright & Associates, P.C.

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

October 16, 2014