

# Austin Independent School District

Basic Financial Report With Accompanying  
Information  
June 30, 2017

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## **Introductory Section**

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**Certificate of Board**

Austin Independent School District  
Name of School District

Travis  
County

227-901-13  
County District Number

We, the undersigned, certify that the attached annual financial report of the above-named school district was reviewed and (check one)  approved  disapproved for the year ended June 30, 2017, at a meeting of the Board of Trustees of such school district on the 27<sup>th</sup> day of November, 2017.

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

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

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

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## **Financial Section**

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## Independent Auditor's Report

To the Board of Trustees  
Austin Independent School District

### 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 Austin Independent School District (the District) as of and for the year ended June 30, 2017, 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 District'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 District'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, 2017, 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, Budgetary Comparison Schedule—General Fund, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District Contributions, as listed in the table of contents, 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 Other Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

*RSM US LLP*

Austin, Texas  
November 14, 2017

## Austin Independent School District

### Management's Discussion and Analysis June 30, 2017

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This section of Austin Independent School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

House Bill 98 enacted by the 76th Legislature of the state of Texas allowed school districts to change their fiscal year-end from August 31 to June 30 beginning with the 2001-2002 fiscal year. The District elected to take advantage of this opportunity and chose to change its fiscal year beginning with the 2015-2016 reporting period. As such, the fiscal year 2016 financial statements are presented for a ten-month period of September 1, 2015 through June 30, 2016.

#### FINANCIAL HIGHLIGHTS

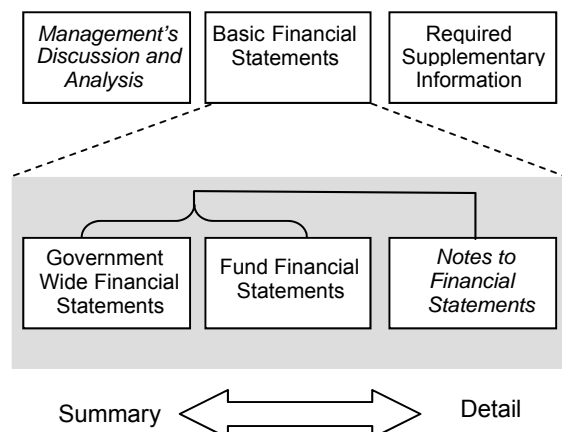
- The assets plus deferred outflows of resources of the District exceeded its liabilities plus deferred inflows of resources at the close of the year ended June 30, 2017. Net position was \$377.4 million. Net investment in capital assets was \$25.9 million. The District's restricted net position was \$135.2 million. Unrestricted net position was \$216.3 million.
- During the year, the District's expenses were \$47.4 million less than the \$1,463.7 million generated in taxes and other revenues for governmental activities. Expenditures totaled \$1,224.1 million after charges for services and operating grants and contributions (revenue). Total revenue from property taxes, state aid, unrestricted grants and contributions, investment income and miscellaneous revenues is \$1,271.6 million.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$277.4 million, or 24% of the total general fund expenditures.
- The District issued \$543.2 million in bonds during the fiscal year 2016-2017, and ended the year with no outstanding commercial paper.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.

**Figure A-1  
Required Components of the  
District's Annual Financial Report**



**Austin Independent School District**

**Management’s Discussion and Analysis  
June 30, 2017**

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- The Governmental Funds statements tell how general government services were financed in the short term, as well as what remains for future spending.
- The Proprietary Fund statements provide information about the District’s internal service funds, which are used to accumulate expenses to be charged to the governmental funds.
- Fiduciary Fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section explains the structure and contents of each of the statements.

**Figure A-2 Major Features of the District’s Government-Wide and Fund Financial Statements**

<b>Type of Statement</b>	<b>Government-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire District’s government (except fiduciary funds)	The activities of the District that are not propriety or fiduciary	Instances in which the District is the trustee or agent for someone else’s resources
<i>Required Financial Statements</i>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> </ul>
<i>Accounting Basis and Measurement Focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of Asset/Liability Information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
<i>Type of Inflow/Outflow Information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after year-end, expenditures when goods or services have been received and payment is due during the year or soon thereafter	Agency funds do not report revenue and expenditures

## Austin Independent School District

### Management's Discussion and Analysis June 30, 2017

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**Government-wide statements:** The government-wide statements report information about the District as a whole, using accounting methods similar to those used by private-sector companies. The statement of net position includes all the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All the current year's revenues and expenses are accounted for in the statement of activities on the accrual basis, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, are one way to measure the District's financial position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating.
- To assess the overall financial health of the District, one must consider additional factors, such as changes in the District's tax base.

The government-wide financial statements of the District include the governmental activities. All the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

**Fund financial statements:** The fund financial statements provide more detailed information about the District's major funds, rather than the District as a whole. Funds are a governmental accounting tool the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage resources for specific purposes or to delineate the use of certain taxes and grants.

The District has three kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) on the balances left at year-end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps determine the availability of financial resources to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the Governmental Funds statement, or on the subsequent page, that explains the relationship (or differences) between them. These include debt financing and capital projects.
- **Proprietary Funds:** Services for which the District charges internal departments a fee are generally reported in Proprietary Funds. Proprietary Funds, like the government-wide statements, provide both long and short-term financial information. In the District, internal service funds are used to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self Insurance Fund.

## Austin Independent School District

### Management's Discussion and Analysis June 30, 2017

- Fiduciary Funds:** The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**Required supplementary information:** The basic financial statements are followed by a section of required supplementary information. This section includes a Budgetary Comparison Schedule—General Fund, Schedule of the District's Proportionate Share of the Net Position Liability and the Schedule of the District's Contributions. The Budgetary Comparison Schedule—General Fund provides detailed comparisons of expenditures and intra-agency transfers at the legal level of control. Comparisons can be made between the original budget, final budget and actual costs for the year. The Schedule of the District's Proportionate Share of the Net Position Liability and Schedule of the District's Contributions disclose covered payroll and related comparison information, as of June 30, 2017.

#### Financial Analysis of the District as a Whole

**Net position:** The District's combined net position was approximately \$375.7 million at June 30, 2017. The following is a schedule of the District's net position:

**Table A-1**  
**The District's Net Position**  
*(In Millions of Dollars)*

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Current and other assets	\$ 882.4	\$ 686.3	29%
Capital assets	995.4	965.3	3%
<b>Total assets</b>	<b>1,877.8</b>	<b>1,651.6</b>	<b>14%</b>
Deferred loss on refunding	24.6	8.2	201%
Deferred outflow for TRS pension liability	31.3	40.5	(23%)
<b>Total deferred outflows of resources</b>	<b>56.0</b>	<b>48.7</b>	<b>15%</b>
Current liabilities	288.3	402.5	(28%)
Long-term liabilities	1,223.7	919.2	33%
<b>Total liabilities</b>	<b>1,511.9</b>	<b>1,321.7</b>	<b>14%</b>
Deferred inflow for TRS pension liability	46.2	48.7	(5%)
<b>Total deferred inflows of resources</b>	<b>46.2</b>	<b>48.7</b>	<b>(5%)</b>
Net position:			
Net investment in capital assets	25.9	54.6	(53%)
Restricted	133.5	129.7	3%
Unrestricted	216.3	145.7	48%
<b>Total net position</b>	<b>\$ 375.7</b>	<b>\$ 330.0</b>	<b>14%</b>



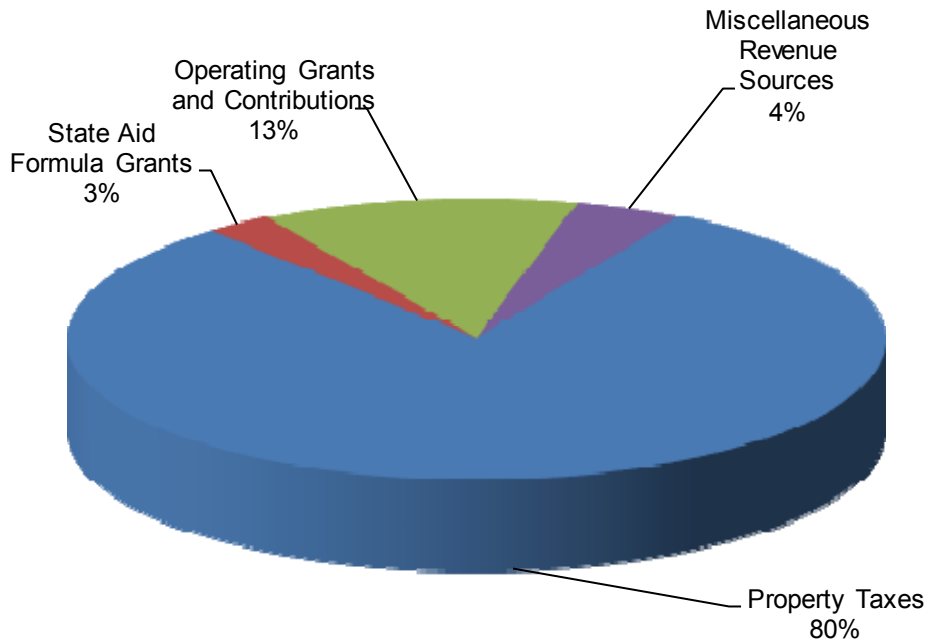
**Austin Independent School District**

**Management's Discussion and Analysis  
June 30, 2017**

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**Changes in net position:** The District's total revenues were \$1,463.7 million. A significant portion, 80%, of the District's revenue comes from taxes; 3% comes from state aid formula grants, while 13% is related to other operating grants and contributions; the remaining 4% comes from miscellaneous revenue sources (see Figure A-3 on the following page).

**Figure A-3  
Sources of Revenues for Fiscal Year 2017**



The total cost of all programs was \$1,418.0 million and \$1,144.0 million for the year ended June 30, 2017, and the ten months ended June 30, 2016, respectively. When adjusted for the \$405.9 million in expenses in 2017 and \$268.8 million in expenses in 2016 related to Chapter 41 and other pass-through costs, 69.5% and 73.3%, respectively, of these costs are for instructional and student services.

The total of all program and service costs for school leadership was 5.6% in 2017 and 5.4% in 2016, and 7.4% and 7.2% in 2017 and 2016, respectively, for plant maintenance and operations (including security services).

**Austin Independent School District**

**Management's Discussion and Analysis  
June 30, 2017**

**Table A-2**  
**Changes in the District's Net Position**  
*(In Millions of Dollars)*

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 7.2	\$ 6.2	16%
Operating grants and contributions	185.0	154.0	20%
General revenues:			
Property taxes	1,177.1	1,033.7	14%
State aid—formula	38.5	22.9	68%
Investment earnings	4.3	2.1	107%
Other	51.6	17.5	195%
<b>Total revenues</b>	<b>1,463.7</b>	<b>1,236.5</b>	<b>18%</b>
<b>Expenses</b>			
Instruction and instructional related	518.7	487.0	7%
Instructional resources and media related	14.0	12.3	14%
Curriculum and staff development	25.6	19.9	29%
Instructional leadership	20.0	13.2	51%
School leadership	60.1	48.8	23%
Guidance, counseling and evaluation services	27.6	23.1	19%
Social work services	6.2	5.1	22%
Health services	6.4	6.9	(8%)
Student transportation	36.7	31.5	16%
Food services	50.3	39.0	29%
Extracurricular activities	17.6	16.7	5%
General administration	28.6	16.8	70%
Plant maintenance and operations	94.2	73.2	29%
Security and monitoring services	11.4	9.6	19%
Data processing services	22.1	18.5	19%
Community services	20.7	15.7	32%
Debt service	44.7	31.3	43%
Payments to fiscal agent/member districts—shared service	405.9	268.8	51%
Other governmental charges	6.0	5.7	5%
Depreciation—administrative, exclusive of functional amounts	1.4	0.9	51%
<b>Total expenses</b>	<b>1,418.0</b>	<b>1,144.0</b>	<b>24%</b>
<b>Change in net position</b>	<b>45.7</b>	<b>92.5</b>	<b>(51%)</b>
Net position at beginning of period	330.0	237.5	39%
Net position at end of period	\$ 375.7	\$ 330.0	14%

## Austin Independent School District

### Management's Discussion and Analysis June 30, 2017

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Table A-3 presents the cost of the District's largest functions, as well as each function's net cost (total costs less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded directly by state revenues, as well as local tax dollars.

- The cost of all governmental activities in 2017 was \$1,418.0 million and, in 2016 was \$1,144.0 million.
- However, the amount the District's taxpayers paid for these activities through property taxes was only \$1,177.1 million in 2017 and \$1,033.7 million in 2016.
- Those who directly benefited paid some costs of the programs (\$7.2 million in 2017 and \$6.2 million in 2016), with grants and contributions (\$185.0 million in 2017 and \$154.0 million in 2016) sharing the load.

**Table A-3**  
**Net Cost of Selected District Functions**  
*(In Millions of Dollars)*

	<u>Total Cost of Services</u>		<u>Percentage</u>	<u>Net Cost of Services</u>		<u>Percentage</u>
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>
Instruction	\$ 558.3	\$ 519.1	8%	\$ 483.1	\$ 445.6	8%
School leadership	80.1	62.0	29%	70.6	55.4	27%
Plant maintenance and operations	94.2	73.2	29%	91.4	71.5	28%

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants and segregation for particular purposes.

**Governmental Funds:** The focus of the District's Governmental Funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

At the end of the current fiscal year, the District's Governmental Funds reported combined ending fund balances of \$641.8 million. Approximately 43% of this total amount (\$277.4 million) is available for spending at the government's discretion (General Fund unassigned fund balance). The remainder of the fund balance is nonspendable, restricted, or assigned to indicate it is not available for new spending because it has already been committed for various purposes, including capital projects, repayment of debt, food service, wastewater plant and investment in inventories.

The General Fund is the primary operating fund of the District. At the end of the current fiscal year, the fund balance of the General Fund was \$301.6 million. Of this amount, \$23.9 million is assigned for various projects and \$0.2 million is nonspendable for investment in inventories. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The total General Fund balance represents approximately 26% of total fund expenditures. The fund balance increased by \$9.3 million during the current fiscal year period.

## **Austin Independent School District**

### **Management's Discussion and Analysis June 30, 2017**

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The Debt Service Fund had an increase in fund balance of \$5.3 million during the current year to bring the year end fund balance to \$142.9 million. The increase is primarily the result of current year bond issuances.

The Capital Projects Fund accounts for the construction of school buildings and improvements. At the end of the current fiscal year, the fund balance was \$188.9 million, resulting from \$365.0 million in transfers from the debt service fund used to retire \$100.0 million in commercial paper which was outstanding at June 30, 2016, as well as \$71.9 million related to construction costs.

#### **General Fund Budgetary Highlights (See Exhibit G-1)**

Over the course of the year, the District revised the General Fund annual revenue budget for changes in student count, finalization of the property tax assessed valuations and revised estimates for TRS on behalf payments. The total change was \$9.5 million or less than 1% of total revenues. The expenditure budget was revised during the year to refine estimates after the year had started. Revisions included the following:

- Changes for health insurance rate Increases
- Establishing outstanding purchase orders from the previous year
- Updating construction management budget

#### **Revenues**

A favorable variance in local and state sources were due to the following adjustments:

- Local property tax collections, including current year, prior year and penalty and interest, were approximately \$6.0 million, or 0.56% higher than anticipated. This was due to higher than anticipated valuations.
- State revenue including the Foundation School Program and TRS on behalf payments were almost \$11.3 million more than anticipated. This was due to higher amounts of TRS on behalf payments of \$3.0 million and a reclassification of resources due to a successful property tax dispute valuation change of \$7.0 million.
- Federal School Health and Related Services was \$4.0 million more than anticipated.

#### **Expenditures**

A net favorable variance of almost \$3.9 million in expenditures was due to the following variances:

- Employee expenditures, including the related TRS on behalf payment, were \$4.0 million more than budgeted. This was primarily due to higher amounts of TRS on behalf allocations of \$3.0 million.
- Professional and contracted services were \$1.8 million more than estimated. This was due to professional services being higher than anticipated.
- The District spent \$7.1 million less on supplies and materials than budgeted. This includes software, equipment, and general supplies.
- The District spent \$1.2 million more on other operating costs. This includes employee travel and insurance and bonding costs.
- The District spent \$2.2 million less on capital outlay for buildings and equipment than budgeted.
- The District spent \$2.0 million less on recapture payments than budgeted.

**Austin Independent School District**

**Management's Discussion and Analysis  
June 30, 2017**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets:** At June 30, 2017, the District had invested \$995.4 million in a broad range of capital assets, including land, equipment, buildings, vehicles and capital lease assets. (See Table A-4 below.)

**Table A-4**  
**District's Capital Assets**  
*(In Millions of Dollars)*

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Land	\$ 71.1	\$ 70.7	1%
Buildings and improvements	895.2	864.0	4%
Furniture fixtures and equipment	29.1	30.6	(5%)
	<u>\$ 995.4</u>	<u>\$ 965.3</u>	3%

During the District's fiscal year 2016-2017, capital spending totaled \$95.2 million in building and improvements and capital equipment. At June 30, 2017, the District is committed under contracts in the amount of approximately \$56 million. The commitments are for remaining work on various construction projects. These commitments are payable from the Capital Projects Fund. For more detailed information on capital assets, refer to Note 7 of the notes to the basic financial statements.

**Debt administration:** At June 30, 2017, the District had \$1,186.1 million in long-term debt outstanding, as shown in Table A-5 (below). Additionally, the District is approved for the issuance of Austin Independent School District Commercial Paper Notes, Series A (Commercial Paper) in an aggregate principal amount not to exceed \$150,000,000 for the purpose of funding new construction and rehabilitation and renovation of existing facilities. The Commercial Paper notes mature in not more than 270 days from issuance and are supported by a revolving credit agreement. The notes are supported with a revolving credit agreement with Mizuho Bank, Ltd. The Commercial Paper is secured by a pledge of the proceeds of future general obligation bonds or loans issued by the District to pay the principal of the Commercial Paper or proceeds from ad valorem property taxes. The District had no outstanding Commercial Paper as of June 30, 2017.

**Table A-5**  
**District's Long-Term Debt**  
*(In Millions of Dollars)*

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Bonds payable	\$ 1,183.2	\$ 876.2	35%
Notes and leases payable	3.0	3.3	(10%)
	<u>\$ 1,186.1</u>	<u>\$ 879.5</u>	35%

For more information on long-term debt, refer to Note 8 of the notes to the basic financial statements.

## **Austin Independent School District**

### **Management's Discussion and Analysis June 30, 2017**

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#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Many factors were considered by the District's administration during the process of developing the fiscal year 2017-18 budget. Among them:

- Property tax assessed values increased by an estimated 10%
- Fiscal year 2017-18 fund balance carry forward (\$301.6 million)
- District student Enrollment (estimated 82,520)
- Employee salaries (1.5% raise)
- Health Insurance Increase (\$6.9 million increase)
- Expenditures for Special Education increase due to loss of federal funds (\$4.1 million)
- Chapter 41 Payments (\$127.8 million Increase)
- Expanded and new programs
  - Montessori School
  - Early College High School Expansion
  - Dyslexia School

Also considered in the development of the budget is the impact of local economy and inflation in the surrounding area.

Budgeted expenditures in the General Fund increased 1.6% to \$780.5 million in fiscal year 2017-18 net of Chapter 41 payments. Property taxes are expected to be the primary funding sources. The District's maintenance and operation tax rate is \$1.079 per hundred dollars of assessed value for 2016-2017 and will remain the same for the 2017-2018 school year.

#### **CURRENTLY KNOWN FACTS**

On November 7, 2017, the voters of the District passed bond propositions approving new bond issuance authority totaling \$1.05 billion that will be used to modernize 16 schools, support campus improvement projects and upgrades throughout the District. In addition, investments in technology, buses and updates for safety and security will be implemented.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate 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 Financial Services Department.

## **Basic Financial Statements**

**Austin Independent School District**

**Exhibit A-1 Statement of Net Position  
June 30, 2017**

<b>Data Control Codes</b>		<b>Governmental Activities</b>
<b>Assets</b>		
1110	Cash, cash equivalents and investments	\$ 814,311,092
1225	Property taxes receivable, net	15,848,648
1240	Due from other governments	46,177,618
1250	Accrued interest	313,667
1260	Receivables from external parties	1,176,893
1290	Other receivables, net	828,319
1310	Inventories	3,564,198
1410	Prepays and other assets	203,845
	Capital assets:	
1510	Land	71,120,154
1520	Buildings and improvements, net	851,754,442
1530	Furniture and equipment, net	29,102,864
1580	Construction in progress	43,442,785
1000	<b>Total assets</b>	<u>1,877,844,525</u>
<b>Deferred Outflows of Resources</b>		
1701	Deferred loss on refunding	24,647,262
1705	Deferred outflow for TRS pension liability	31,323,975
	<b>Total deferred outflows of resources</b>	<u>55,971,237</u>
<b>Liabilities</b>		
2110	Accounts payable	34,283,908
2150	Payroll deductions and withholdings	834,424
2160	Accrued wages payable	38,252,004
2180	Due to other governments	121,310,758
2200	Accrued expenses	16,143,697
2300	Unearned revenues	1,105,837
	Noncurrent liabilities:	
2400	Due within one year	76,363,601
2500	Due in more than one year	1,123,951,126
2500	Net pension liability—District's share	99,701,584
2000	<b>Total liabilities</b>	<u>1,511,946,939</u>
<b>Deferred Inflows of Resources</b>		
2605	Deferred inflow for TRS pension liability	46,153,091
	<b>Total deferred inflows of resources</b>	<u>46,153,091</u>
<b>Net Position</b>		
3200	Net investment in capital assets	25,896,802
3800	Restricted for:	
	Retirement of long-term debt	128,459,027
	Federal and state funds grants	5,054,349
3900	Unrestricted	216,305,554
3000	<b>Total net position</b>	<u>\$ 375,715,732</u>

See notes to basic financial statements.



Austin Independent School District

Exhibit B-1 Statement of Activities  
Year Ended June 30, 2017

Data Control Codes	Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		1 Expenses	3 Charges for Services	4 Operating Grants and Contributions	
	Government activities:				
11	Instruction	\$ 518,699,019	\$ 1,789,983	\$ 60,698,545	\$ (456,210,491)
12	Instructional resources and media services	13,978,586	-	811,710	(13,166,876)
13	Curriculum and instructional staff development	25,583,565	-	11,910,698	(13,672,867)
21	Instructional leadership	19,967,255	-	2,869,392	(17,097,863)
23	School leadership	60,095,536	-	6,572,846	(53,522,690)
31	Guidance, counseling and evaluation services	27,597,988	-	4,609,751	(22,988,237)
32	Social work services	6,215,399	-	851,806	(5,363,593)
33	Health services	6,360,045	-	25,551,971	19,191,926
34	Student (pupil) transportation	36,684,114	-	1,551,296	(35,132,818)
35	Food services	50,311,169	-	45,572,054	(4,739,115)
36	Curricular/extracurricular activities	17,578,420	757,468	952,741	(15,868,211)
41	General administration	28,641,855	2,187,140	9,012,639	(17,442,076)
51	Plant maintenance and operations	94,163,292	-	2,795,397	(91,367,895)
52	Security and monitoring services	11,402,189	-	765,523	(10,636,666)
53	Data processing services	22,056,414	-	2,078,738	(19,977,676)
61	Community services	20,684,519	2,460,664	8,362,604	(9,861,251)
71	Interest on long-term debt	44,731,170	-	59,978	(44,671,192)
91	Contracted instructional services between schools	403,324,244	-	-	(403,324,244)
93	Payments related to shared services arrangements	2,582,967	-	-	(2,582,967)
99	Other intergovernmental charges	5,976,970	-	-	(5,976,970)
99	Depreciation—administrative, exclusive of functional amounts	1,355,706	-	-	(1,355,706)
TG	<b>Total governmental activities</b>	<u>1,417,990,422</u>	<u>7,195,255</u>	<u>185,027,689</u>	<u>(1,225,767,478)</u>
TP	<b>Total primary government</b>	<u>\$ 1,417,990,422</u>	<u>\$ 7,195,255</u>	<u>\$ 185,027,689</u>	<u>(1,225,767,478)</u>
	General revenues:				
MT	Property taxes—levied for general purposes				1,065,424,864
DT	Property taxes—levied for debt service				111,702,024
SF	State aid—formula grants				38,476,338
GC	Grants and contributions not restricted to specific programs				4,267,832
IE	Investment earnings				4,340,517
MI	Miscellaneous				47,292,672
TG	<b>Total general revenues</b>				<u>1,271,504,247</u>
CN	<b>Change in net position</b>				45,736,769
NB	Net position at beginning of period				<u>329,978,963</u>
NE	Net position at end of period				<u>\$ 375,715,732</u>

See notes to basic financial statements.

Austin Independent School District

Exhibit C-1 Balance Sheet—Governmental Funds  
June 30, 2017

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
1110	Cash, cash equivalents and investments	\$ 396,583,487	\$ 143,685,020	\$ 214,011,215	\$ 6,591,697	\$ 760,871,419
1220	Property taxes—delinquent	35,644,102	4,247,999	-	-	39,892,101
1230	Allowance for uncollectible taxes	(21,471,465)	(2,571,988)	-	-	(24,043,453)
1240	Due from other governments	11,365,815	-	-	34,811,803	46,177,618
1250	Accrued interest	313,667	-	-	-	313,667
1260	Due from other funds	80,102,872	34,206	130,640	6,349,368	86,617,086
1290	Other receivables	-	-	-	828,319	828,319
1300	Inventories	229,374	-	-	3,273,948	3,503,322
1000	<b>Total assets</b>	<b>\$ 502,767,852</b>	<b>\$ 145,395,237</b>	<b>\$ 214,141,855</b>	<b>\$ 51,855,135</b>	<b>\$ 914,160,079</b>
<b>Liabilities</b>						
2110	Accounts payable	\$ 31,849,302	\$ -	\$ 2,431,710	\$ 2,489	\$ 34,283,501
2150	Payroll deductions and withholdings	834,424	-	-	-	834,424
2160	Accrued wages payable	32,634,272	-	20,663	4,106,896	36,761,831
2170	Due to other funds	6,282,847	722,213	22,697,717	32,476,107	62,178,884
2180	Due to other governments	115,315,414	70,300	-	5,925,044	121,310,758
2300	Unearned revenues	89,535	-	-	1,016,302	1,105,837
2000	<b>Total liabilities</b>	<b>187,005,794</b>	<b>792,513</b>	<b>25,150,090</b>	<b>43,526,838</b>	<b>256,475,235</b>
<b>Deferred inflows of Resources</b>						
2600	Unavailable revenue—property taxes	14,172,637	1,676,011	-	-	15,848,648
	<b>Total deferred inflows of resources</b>	<b>14,172,637</b>	<b>1,676,011</b>	<b>-</b>	<b>-</b>	<b>15,848,648</b>
<b>Fund Balances</b>						
3410	Nonspendable	229,374	-	-	3,273,948	3,503,322
3490	Restricted	-	142,926,713	-	5,054,349	147,981,062
3500	Assigned	23,949,919	-	188,991,765	-	212,941,684
3600	Unassigned	277,410,128	-	-	-	277,410,128
3000	<b>Total fund balances</b>	<b>301,589,421</b>	<b>142,926,713</b>	<b>188,991,765</b>	<b>8,328,297</b>	<b>641,836,196</b>
4000	<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 502,767,852</b>	<b>\$ 145,395,237</b>	<b>\$ 214,141,855</b>	<b>\$ 51,855,135</b>	<b>\$ 914,160,079</b>

See notes to basic financial statements.

**Austin Independent School District**

**Exhibit C-2 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2017**

**Data  
Control  
Codes**

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	Total fund balances—Governmental Funds balance sheet	\$ 641,836,196
	Amounts reported for governmental activities in the statement of net position (Exhibit A-1) are different because:	
1	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	995,420,245
2	Amount of interest on debt payable in August is required to be recognized in the statement of net position.	(16,143,697)
3	Revenue in governmental activities is recognized in the period earned.	15,848,648
4	Internal Service Funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of Internal Service Funds are included in governmental activities in the statement of net position.	16,231,224
5	Bonds and loans payable are not due and payable in the current period, and therefore, are not reported in the funds.	(1,186,116,612)
6	The accrual of vacation leave is not due and payable in the current period and, therefore, is not reported as expenditures in the governmental funds.	(1,476,834)
7	Unamortized loss on bond refunding in governmental activities, not reported in the governmental funds.	24,647,262
8	Recognition of the District's proportionate share of the net pension liability required by GASB Statement No. 68 (\$99,701,584), a deferred inflow of resources (\$46,153,091), and a deferred outflow of resources (\$31,323,975).	<u>(114,530,700)</u>
19	Net position of governmental activities	<u><u>\$ 375,715,732</u></u>

See notes to basic financial statements.

Austin Independent School District

Exhibit C-3 Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds  
Year Ended June 30, 2017

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
5700	Local and intermediate sources	\$ 1,082,629,084	\$ 111,993,100	\$ 156,512	\$ 18,908,705	\$ 1,213,687,401
5800	State program revenues	78,582,376	1,020,322	-	7,236,042	86,838,740
5900	Federal program revenues	28,152,045	917,030	-	83,476,464	112,545,539
5020	<b>Total revenues</b>	<b>1,189,363,505</b>	<b>113,930,452</b>	<b>156,512</b>	<b>109,621,211</b>	<b>1,413,071,680</b>
<b>Expenditures</b>						
Current:						
0011	Instruction	426,328,039	-	-	32,597,384	458,925,423
0012	Instructional resources and media services	10,671,364	-	-	244,779	10,916,143
0013	Curriculum and instructional staff development	12,885,879	-	-	11,001,614	23,887,493
0021	Instructional leadership	17,179,903	-	-	2,249,580	19,429,483
0023	School leadership	52,697,746	-	-	2,662,974	55,360,720
0031	Guidance, counseling and evaluation services	23,453,859	-	-	2,814,333	26,268,192
0032	Social work services	5,523,828	-	-	466,053	5,989,881
0033	Health services	5,490,324	-	-	729,720	6,220,044
0034	Student (pupil) transportation	33,423,782	-	3,218,815	-	36,642,597
0035	Food services	-	-	-	40,755,156	40,755,156
0036	Curricular/extracurricular activities	13,868,764	-	-	223,684	14,092,448
0041	General administration	20,820,960	-	-	747,384	21,568,344
0051	Plant maintenance and operations	91,396,375	-	4,334,409	122,190	95,852,974
0052	Security and monitoring services	11,026,398	-	560	7,047	11,034,005
0053	Data processing services	21,548,092	-	5,415,191	919,015	27,882,298
0061	Community services	6,152,649	-	-	13,559,848	19,712,497
0071	Principal on long-term debt	381,156	71,025,285	-	-	71,406,441
0072	Interest on long-term debt	100,706	37,128,113	-	-	37,228,819
0073	Bond issuance costs and fees	-	4,145,613	-	-	4,145,613
0081	Capital outlay	7,254,841	-	71,986,240	847,029	80,088,110
0091	Contracted instructional services between schools	403,324,244	-	-	-	403,324,244
0093	Payments related to shared services arrangements	2,582,967	-	-	-	2,582,967
0099	Other intergovernmental charges	5,976,970	-	-	-	5,976,970
6030	<b>Total expenditures</b>	<b>1,172,088,846</b>	<b>112,299,011</b>	<b>84,955,215</b>	<b>109,947,790</b>	<b>1,479,290,862</b>
1100	<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>17,274,659</b>	<b>1,631,441</b>	<b>(84,798,703)</b>	<b>(326,579)</b>	<b>(66,219,182)</b>
<b>Other Financing Sources and (Uses)</b>						
7911	Capital-related debt issued (regular bonds)	-	543,205,000	-	-	543,205,000
7912	Sales of real or personal property	54,642	-	-	-	54,642
7915	Transfers in	-	-	365,000,000	-	365,000,000
7916	Premium or discount on issuance of bonds	-	96,241,668	-	-	96,241,668
8911	Transfers out	(8,000,000)	(365,000,000)	-	-	(373,000,000)
8940	Payment to bond refunding escrow agent	-	(270,822,336)	-	-	(270,822,336)
8949	Other uses	(6,898)	-	-	-	(6,898)
7080	<b>Total other financing sources and (uses)</b>	<b>(7,952,256)</b>	<b>3,624,332</b>	<b>365,000,000</b>	<b>-</b>	<b>360,672,076</b>
1200	<b>Net change in fund balances</b>	<b>9,322,403</b>	<b>5,255,773</b>	<b>280,201,297</b>	<b>(326,579)</b>	<b>294,452,894</b>
0100	Fund balances at beginning of period	292,267,018	137,670,940	(91,209,532)	8,654,876	347,383,302
3000	Fund balances at end of period	\$ 301,589,421	\$ 142,926,713	\$ 188,991,765	\$ 8,328,297	\$ 641,836,196

See notes to basic financial statements.

**Austin Independent School District**

**Exhibit C-4 Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances—Governmental Funds to the Statement of Activities  
Year Ended June 30, 2017**

Net change in fund balances—total Governmental Funds	\$ 294,452,894
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$95,228,019) exceeded depreciation expense (\$65,133,476) and net asset removal (\$8,250) in the current period.	30,086,293
Bond and noncurrent loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and noncurrent loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments of principal and loan principal (\$312,931,441) were exceeded by debt and loan proceeds (\$543,205,000).	(230,273,559)
Governmental funds report the effect of premiums when the debt is first issued whereas these amounts are deferred and amortized over the life of the bonds in the statement of activities. This is the amount by which the current year bond premium (\$96,241,668) was exceeded by amortization and defeasance of bond premiums (\$19,899,070).	(76,342,598)
The amount of interest which is accrued, but not yet paid, for bond payments due in August is not recognized in the governmental funds. This is the net change in amount of interest payable.	(991,774)
Losses on refundings are not reported in the governmental funds, but are amortized over the life of the debt in the statement of activities. This is the amount of net change in the deferred loss on refunding between 2017 and 2016.	16,460,139
Delinquent property taxes do not provide current financial resources in the funds, and as such, are recognized as unearned revenue in the governmental funds. This is the net change between 2017 and 2016.	6,231,256
The revenues and expenses of the Internal Service Fund are distributed in the statement of activities and are not considered a governmental fund. The difference is the amount of net loss (\$4,197,385), plus transfers in (\$8,000,000).	3,802,615
Costs associated with the accrual of vacation leave are recognized as expenditures in the governmental funds when matured. This is the amount of net change in the vacation accrual between 2017 and 2016.	(264,157)
GASB Statement No. 68 requires that certain expenditures be de-expended and recorded as deferred resources. This is the amount by which pension expense (\$9,643,953) and amortization of prior year deferred inflows and outflows of resources (\$10,477,807) exceeded the prior year contributions (\$8,382,896) and additional deferred items recognized in the current year (\$6,641,090).	2,575,660
Change in net position of governmental activities—statement of activities	<u>\$ 45,736,769</u>

See notes to basic financial statements.

Austin Independent School District

Exhibit D-1 Statement of Net Position—Proprietary Funds

June 30, 2017

Data Control Codes		Governmental Activities— Internal Service Fund
	<b>Assets</b>	
	Current assets:	
	Cash and cash equivalents	\$ 1,205,750
	Investments	52,233,923
	Due from other funds	796,593
	Inventories	60,876
	Other assets	203,845
	<b>Total current assets</b>	<u>54,500,987</u>
1000	<b>Total assets</b>	<u>54,500,987</u>
	<b>Liabilities</b>	
	Current liabilities:	
	Accounts payable	407
	Accrued expenditures	13,339
	Due to other funds	24,057,902
	Claims payable—due within one year	10,459,000
	<b>Total current liabilities</b>	<u>34,530,648</u>
	Noncurrent liabilities:	
	Claims payable—due in more than one year	<u>3,739,115</u>
2000	<b>Total liabilities</b>	<u>38,269,763</u>
	<b>Unrestricted net position</b>	<u>16,231,224</u>
3000	<b>Total net position</b>	<u>\$ 16,231,224</u>

See notes to basic financial statements.

Austin Independent School District

Exhibit D-2 Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds  
Year Ended June 30, 2017

Data Control Codes		Governmental Activities— Internal Service Fund
	<b>Operating Revenues</b>	
5700	Charges for services	\$ 82,195,605
	<b>Total operating revenues</b>	<u>82,195,605</u>
	<b>Operating Expenses</b>	
6100	Payroll costs	1,647,737
6200	Professional and contracted services	4,357,010
6300	Supplies and materials	80,269
6600	Capital expenditures	67,664
6400	Other operating expenses	80,399,025
6030	<b>Total operating expenses</b>	<u>86,551,705</u>
	<b>Operating loss</b>	<u>(4,356,100)</u>
	<b>Nonoperating Revenues</b>	
5742	Earnings from temporary deposits and investments	148,015
5745	Insurance recovery	10,700
	<b>Total nonoperating revenues</b>	<u>158,715</u>
	Loss before transfers	(4,197,385)
7915	Transfers in	<u>8,000,000</u>
	Change in net position	<u>3,802,615</u>
0100	Net position at beginning of period	<u>12,428,609</u>
3300	Net position at end of period	<u><u>\$ 16,231,224</u></u>

See notes to basic financial statements.

Austin Independent School District

Exhibit D-3 Statement of Cash Flows—Proprietary Funds  
Year Ended June 30, 2017

	<b>Governmental Activities— Internal Service Fund</b>
Cash flows from operating activities:	
Payments to suppliers	\$ (6,228,176)
Payments to employee salaries and benefits	(1,647,737)
Payments from other funds	106,250,952
Claims paid	(78,769,916)
<b>Net cash provided by operating activities</b>	<u>19,605,123</u>
Cash flows from noncapital financing:	
Transfers from other funds	8,000,000
<b>Net cash provided by noncapital financing</b>	<u>8,000,000</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	103,926,137
Outlays for purchase of investments	(131,112,385)
Interest income	158,715
<b>Net cash used in investing activities</b>	<u>(27,027,533)</u>
<b>Net increase in cash and cash equivalents</b>	577,590
Cash and cash equivalents at beginning of period	<u>628,160</u>
Cash and cash equivalents at end of period	<u>\$ 1,205,750</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (4,356,100)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Changes in:	
Decrease in receivables	120
Decrease in due from other funds	401
Decrease in inventory	14,788
Increase in other assets	(203,845)
Decrease in accounts payable and accrued expenditures	(29,210)
Increase in due to other funds	24,054,826
Increase in claims payable	124,143
<b>Net cash provided by operating activities</b>	<u>\$ 19,605,123</u>

See notes to basic financial statements.



**Austin Independent School District**

**Exhibit E-1 Statement of Fiduciary Assets and Liabilities—Fiduciary Funds  
June 30, 2017**

<b>Data Control Codes</b>		<b>Agency Funds</b>
	<b>Assets</b>	
1110	Cash and cash equivalents	\$ 8,175,786
	Investments	6,956,026
	Other receivables	<u>80,555</u>
1000	<b>Total assets</b>	<u><u>\$ 15,212,367</u></u>
	<b>Liabilities</b>	
	Accounts payable	\$ 402,585
	Due to other governments	3,982,710
	Due to other funds	1,176,893
2190	Due to student groups	9,633,900
	Other liabilities	<u>16,279</u>
2000	<b>Total liabilities</b>	<u><u>\$ 15,212,367</u></u>

See notes to basic financial statements.

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## Austin Independent School District

### Notes to Basic Financial Statements June 30, 2017

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#### Note 1. Reporting Entity

This report includes the financial statements of the funds required to account for those activities, organizations, and functions which are related to the Austin Independent School District (the District) and which are controlled by or dependent upon the District's governing body, the Board of Trustees (the Board). The Board, a nine-member group as a body corporate, has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and TEA may not substitute its judgment for the lawful exercise of those powers and duties of the Board.

The District receives funding from local, state and federal government sources and must comply with the applicable requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity," as defined by the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, since Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. There are no component units reported within the reporting entity. The District is a governmental entity exempt from federal income taxation under Internal Revenue Code Section 115.

#### Note 2. Government-Wide and Fund Financial Statements

The government-wide financial statements consist of the statement of net position and the statement of activities. These statements report information on all nonfiduciary activities of the District. The effect of the interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues, and grants and contributions used for capital requirements for a given function. As of June 30, 2017, the District did not receive any grants or contributions for capital for a given function. Program revenues include charges to customers, grants and contributions used for operational requirements. There are no capital grants. Governmental activities are supported by tax revenues, state aid, charges for services, investment earnings and intergovernmental revenues such as grants.

Direct expenses are those that are clearly identifiable with a specific function. All capital asset depreciation, other than depreciation of the District's central administration building, is reported as a direct expense of the functional program that benefits from the use of the capital assets. Depreciation expense related to the District's central administrative building is reported as administrative, exclusive of functional amounts, in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements provide information about the District's funds, with separate statements for Governmental Funds, Proprietary Funds and Fiduciary Funds even though the latter are excluded from the government-wide financial statements. Major individual Governmental Funds are reported as separate columns in the fund financial statements.

## Austin Independent School District

### Notes to Basic Financial Statements June 30, 2017

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#### Note 3. Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units in conjunction with TEA's *Financial Accountability System Resource Guide* (FAR). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

##### A. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to, and accounted for the purpose of, carrying on specific activities in accordance with laws, regulations, or other appropriate requirements.

**Governmental fund types:** The District reports the following major Governmental Funds:

The General Fund is the fund that accounts for financial resources in use for general types of operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. This is a budgeted fund, and any fund balances are considered as resources available for current operations. Fund balances may be appropriated by the Board to implement its responsibilities.

The Debt Service Fund is the fund that accounts for the use of debt service taxes and other revenues collected for the purposes of retiring bond principal and paying interest on long-term general obligation debt and other long-term debt for which a tax has been dedicated. This is a budgeted fund.

The Capital Projects Fund is the fund that accounts for proceeds from sales of bonds and other revenues to be used for Board-authorized acquisition, construction, or renovations, as well as furnishing and equipping major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal. This fund is budgeted on a project basis.

Additionally, the District reports the following nonmajor funds:

The Special Revenue Funds are the funds that account for state and federally financed programs or expenditures legally restricted for specified purposes or where unused balances are returned to the grantor at the close of specified project periods. This fund type also includes the following funds which are allowed to maintain a fund balance: food service operations, Texas Successful Schools Program, State Textbook Fund, High School Allotment, Campus Activity Fund, Permanent Fund, child care operations, and scholarships. The Food Service Fund is the only Special Revenue Fund that is required to be budgeted and balances are to be used exclusively for allowable child nutrition program purposes. For all other funds in this fund-type, project accounting is employed to maintain integrity for the various sources of funds.

## Austin Independent School District

### Notes to Basic Financial Statements June 30, 2017

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#### Note 3. Summary of Significant Accounting Policies (Continued)

**Proprietary fund types:** The Internal Service Fund, an unbudgeted fund, is the fund that accounts for the District's self-funding of workers' compensation claims, Campus Police, Print Shop, Laundry Services and Health and Dental Services. Revenues are generated in the Internal Service Fund through charges to various funds of the District. The majority of expenses, approximately \$78.9 million, or 98% of total operating expenses, result from the administration and funding of District workers' compensation and health and dental claims and other activities of Internal Service Funds. Internal Service Funds inherently create redundancy because their expenses are recorded a second time in the funds that are billed for the services they provide. Therefore, on the government-wide financial statements, the operations of the Internal Service Funds are consolidated and interfund transactions are eliminated.

**Fiduciary fund types:** Agency Funds, unbudgeted funds, are the funds that account for activities of student groups and other types of activities requiring clearing accounts. An Agency Fund is also used to account for the District's activities as successor-in-interest of the Travis County Education District. This fund type has no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the District.

#### B. Measurement Focus

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund type financial statements. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance of Governmental Funds is considered a measure of "available spendable resources." The Fiduciary Fund financial statement does not have a measurement focus.

#### C. Basis of Accounting

The government-wide financial statements and Proprietary Fund and Fiduciary Fund type financial statements follow the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and state aid are recognized as revenues as soon as all eligibility requirements imposed by the provider are met and qualifying expenditures have been incurred. School Health and Related Services, and other local revenues such as fees and activity charges are recorded as revenue as the related services are rendered.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (i.e., both available and measurable). Revenues other than grants are considered to be available when they are expected to be collected during the current budgetary period, or within 60 days thereafter, to pay liabilities outstanding at the close of the budgetary period. Revenues from state and federal grants are recognized as earned when they are expected to be collected within the current budgetary period, or within 60 days thereafter, and all eligibility requirements have been met. Funds received, but unearned, are reflected as unearned revenues, and funds expended, but not yet received, are shown as receivables. Interest revenue and building rentals are recorded when earned, since they are measurable and available. Other revenues such as fees, tuition, activity fees, and miscellaneous revenues are recognized when measurable and available.

## Austin Independent School District

### Notes to Basic Financial Statements

June 30, 2017

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#### Note 3. Summary of Significant Accounting Policies (Continued)

The District reports the following types of Governmental Fund balances: committed, nonspendable, restricted, assigned and unassigned.

- The committed fund balance consists of funds that may be used only for a specific purpose, pursuant to constraints imposed by a formal action of the District's Board. The purpose for the funds can be changed only by formal action of the District's Board.
- Nonspendable fund balances are those that are not in a spendable form.
- Restricted fund balances are those that have constraints placed on the use of their resources. These constraints can be: (a) externally imposed by creditors (i.e., debt covenants), grantors, contributors or laws/regulations of other governments or (b) imposed by law through constitutional provision or enabling legislation. Both constraints are legally enforceable by an external party.
- Assigned fund balances are those that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances do not require District Board formal action and may be specified as "intent" simply through the budgeting process that the resources from these funds be spent for specific purposes within the fund. By Board policy, the assigned fund balance may be designated by the Board or by the Board's designees, the Superintendent, or the Chief Financial Officer.
- Unassigned fund balances are those within the General Fund and represent fund balances that have not been restricted, committed or assigned.

The District maintains a stabilization arrangement sufficiently adequate for fiscal cash liquidity purposes that will provide for sufficient cash flow to minimize the potential of short-term tax anticipation borrowing. This amount shall be equal to not less than 20% of the combined budgeted expenditures of the District's General Fund.

The stabilization arrangement balance represents balances available for appropriation at the discretion of the District's Board. However, the Board shall make every reasonable effort to use these unassigned funds for the following purposes, listed in order of priority:

1. To increase committed fund balances, as deemed necessary.
2. To increase assigned fund balances, as deemed necessary.
3. To use as beginning cash balance in support of the annual budget.

The District's Board recognizes that any such funds should be appropriated for nonrecurring expenditures, as they represent prior year surpluses that may or may not materialize in subsequent fiscal years.

When the District incurs an expenditure in governmental funds for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then from less restrictive classifications; committed and assigned, then unassigned fund balance, unless the District's Board has provided otherwise in its assignment actions.

## Austin Independent School District

### Notes to Basic Financial Statements June 30, 2017

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#### Note 3. Summary of Significant Accounting Policies (Continued)

Expenditures are recognized in the accounting period in which the fund liability is incurred, except expenditures for debt service, including unmatured interest on long-term debt and compensated absences. Expenditures for principal and interest on long-term debt and compensated absences are recognized when matured.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Proprietary Fund's principal ongoing operations. The principal operating revenues of the District's Internal Service Funds are health, dental and workers' compensation insurance premiums to participate in the District's self-insured health and workers' compensation programs. The principal operating expenses for the Internal Service Funds include the cost of health, dental and workers' compensation claims and administrative charges. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Effective July 1, 2016, the District implemented GASB Statement No. 77, *Tax Abatement Disclosures* (Statement No. 77), and GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* (Statement No. 82). Statement No. 77 addresses the reporting issues related to tax abatement agreements. The District is not party to any tax abatement agreements. Statement No. 82 addresses certain issues raised with respect to pensions. The adoption of these standards did not have any impact on the District's financial statements.

#### D. Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, bank deposit accounts, investments in local government investment pools, and non-participating certificates of deposit (CDs) owned with original stated maturities of three months or less.

#### E. Investments

State statutes and Board policy authorize the District to invest any and all of its funds in fully collateralized CDs, direct debt securities of the United States of America or the state of Texas, other obligations the principal and interest of which are unconditionally guaranteed by the state of Texas or the United States, fully collateralized direct repurchase agreements, bankers' acceptances, local government investment pools, money market mutual funds, and other investments specifically allowed by Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) and Sections 23.80 and 20.42 of the Texas Education Code. The District participates in several local government investment pools and money market checking accounts. The District accrues interest on local government investment pools, money market checking accounts, savings accounts and non-participating certificates of deposit based on the terms and interest rates of the specific investments. The District's policy is to report local government investment pools that meet the criteria of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* (Statement No. 79), at the pool's net asset value (NAV) which is based on amortized cost. Money market checking accounts and non-participating certificates of deposit are reported at amortized cost plus accrued interest.

**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

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**Note 3. Summary of Significant Accounting Policies (Continued)**

The District carries investments in debt securities and local government investment pools that do not meet the criteria of GASB Statement No. 79 at fair value using other observable significant inputs including but not limited to quoted prices for similar securities, interest rates, and fixed-income pricing models. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

**F. Due From (To) Other Funds**

Interfund receivables and payables arise from interfund receipts or disbursements of cash and are recorded in all affected funds in the period in which transactions are executed in the normal course of operations.

**G. Inventories**

Inventory of materials and supplies are carried on the basis of the last invoice cost, which approximates first-in, first-out cost, and are subsequently charged to budgetary expenditures when consumed. Inventories include plant maintenance and operating supplies, as well as instructional materials. These inventories are offset at year-end by a nonspendable fund balance, which indicates they do not represent "available spendable resources."

Donated commodities in inventory at June 30, 2017, totaled \$315,041.

**H. Capital Assets**

Capital assets, which include land, buildings and improvements, furniture and equipment, and construction in progress, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated acquisition value at the date of the donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
Buildings and improvements	30 years
Furniture and equipment	5-10 years
Vehicles	5-7 years
Property under capital leases	10 years
Buses	8-10 years
Computer software and equipment	3-7 years
Portable buildings	10 years



**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

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**Note 3. Summary of Significant Accounting Policies (Continued)**

**I. Compensated Absences**

The state of Texas has created a minimum sick leave program consisting of five days of personal leave per year that may be used for illness or discretionary personal leave with no limit on accumulation and transferability among districts for every eligible employee regularly employed in Texas public schools.

Each district's local board of education is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the state minimum. The District's policy provides six to eight additional sick leave days per year depending on the number of duty days scheduled to work during the school year.

Accumulated state leave at the end of the year remains in the employee's state personal leave account. Additional sick leave days provided by the District do not vest; therefore, at fiscal year-end, no liability exists.

Teachers do not receive paid vacation, but are paid only for the number of days they are required to work each year. All regular employees are entitled to an annual vacation. In the government-wide financial statements, the District has a liability for unused vacation and sick leave pay for regular employees for all vacation and state sick leave earned as of June 30, 2017. The District allows unused vacation days to carry over through December 31.

A summary of changes in compensated absences for the year ended June 30, 2017, is as follows:

<b>June 30, 2016 Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2017 Balance</b>	<b>Amount Due Within One Year</b>
\$1,212,677	\$2,573,952	\$(2,309,795)	\$1,476,834	\$1,476,834

**J. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. 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.

The District participates in the Texas Association of School Boards Modified Self-Funded program for its vehicle liability insurance. The District has commercial insurance for all other risks of loss, except vehicle liability insurance, workers' compensation, employee health benefits, employee life, dental and accident insurance.

During fiscal year 2017, employees of the District were covered by a self-funded health insurance plan. During the 2011 plan year, the District established a self-funded health insurance program utilizing a plan provided by Blue Cross Blue Shield of Texas (BCBS). District employees had a choice of three PPO plans, one of which offered a health savings account. As of January 1, 2015, the District switched providers from BCBS to Aetna. Under the Aetna health plan, employees now have a choice of four plans, including two PPO plans and two ACO plans, one of which offers a health savings account.

**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

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**Note 3. Summary of Significant Accounting Policies (Continued)**

Claims administration is contracted from a third-party administrator. Health benefit consultant services are contracted from an outside entity. The District maintains individual stop-loss coverage for catastrophic losses exceeding \$600,000 per claim.

**K. Encumbrances**

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance, but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either cancelled or appropriately provided for in the subsequent year's budget.

Outstanding encumbrances at June 30, 2017, that were subsequently provided for in the 2018 budget as July through September amendments for Board approval totaled \$11,428,433 in the General Fund. The Debt Service Fund, Capital Projects Fund and Nonmajor Fund had no outstanding encumbrances at June 30, 2017.

**L. Fund Balance and Net Position**

In the Governmental Fund financial statements, unassigned fund balances indicate available amounts for the budgeting of future operations. Restricted and assigned fund balances are that portion of fund balance which is not available for appropriation, or which has been legally separated for specific purposes. Designations of fund balance as nonspendable, restricted, committed, assigned, or unassigned are the representations of management for the utilization of financial resources in future periods.

In the Government Wide financial statements, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws through constitutional provision or enabling legislation.

**M. Data Control Totals**

Data control codes refer to the account code structure prescribed by TEA in the FAR. TEA requires school districts to display these codes in the financial statements filed with the agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

**N. Unearned Revenue**

The unearned revenue on the balance sheet of the General Fund, Debt Service Fund and the nonmajor Governmental Funds primarily relates to, donated commodity inventory, pre-payments for school lunch tickets in the child nutrition program special revenue fund, and unearned cost reimbursement grant revenues related to the vocational education, child care, and other grants that support student academic success. These funds were received before all eligibility requirements have been met.

**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

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**Note 3. Summary of Significant Accounting Policies (Continued)**

**O. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**P. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of fund balance, net position, and changes therein. Actual results could differ from those estimates.

**Q. Deferred Outflows/Inflows of Resources**

In addition to assets and liabilities, the Statement of Net Position includes separate sections for deferred outflows/inflows of resources. These separate financial statement elements represent a consumption/acquisition of net position that applies to a future period(s) and will not be recognized as an outflow/inflow of resources (expense/revenue) until that time. Governments are only permitted to report deferred outflows/inflows of resources in circumstances specifically authorized by the GASB. Typical deferred outflows/inflows of resources for school districts relate to pensions and deferred charges on refunded debt.

The deferred inflows of resources on the balance sheet of the General Fund and Debt Service Fund primarily relates to unavailable uncollected property taxes, less the allowance for doubtful accounts.

**R. Pensions**

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

**S. Accrued Wages Payable**

Depending on the district calendar and timing of the end of the school year, the actual number of days most employees work in June is less than 30. In order for these employees' pay streams to be unaffected, most of which are teachers, they are still paid one-twelfth of their yearly contract amount in June.

## Austin Independent School District

### Notes to Basic Financial Statements June 30, 2017

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#### Note 4. Deposits and Investments

**Deposits:** Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover its collateral securities that are in the possession of an outside party. The District's policies and state law require the District's funds to be deposited under the terms of a depository contract, the terms of which are set out in depository contract law. The depository bank may either place approved pledged securities for safekeeping with the District's agent or file a corporate surety bond in an amount greater than or equal to the District's deposits. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) coverage.

At June 30, 2017, all District deposits were with the contracted depository bank in accounts which were secured at the balance sheet date by FDIC coverage and by pledged securities, as approved by the School Depository Act, held by the District's agent, Bank of New York Mellon, in the name of the District.

At June 30, 2017, the District had a general ledger balance of (\$22,765,011), excluding student activity fund balances of \$8,175,786, due to outstanding checks, while the total of bank balances equaled \$13,551,557. Of the bank balances, \$500,000 is covered by federal depository insurance, and the remainder was covered by \$13,051,557 of collateral pledged in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

1. Name of bank: Bank of New York Mellon
2. The amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$22,592,610.
3. The largest deposit combined account balance amounted to \$23,092,610 and occurred during the month of January 2017.
4. Total amount of FDIC coverage at the time of the largest combined balance was \$500,000.

**Investments:** The District categorizes its fair value measurement disclosures within the fair value hierarchy established by generally accepted accounting principles. The hierarchy prioritizes valuation inputs used to measure the fair value of the asset or liability in three broad categories. Levels 1, 2 and 3 (lowest priority level) of the fair value hierarchy are defined as follows.

**Level 1:** Inputs using unadjusted quoted prices in active markets or exchanges in identical assets or liabilities.

**Level 2:** Significant other observable inputs, which may include, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets; and inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.

**Level 3:** Valuations for which one or more significant inputs are unobservable and may include situations where there is minimal, if any, market activity for the asset or liability.

**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

**Note 4. Deposits and Investments (Continued)**

If the fair value is measured using inputs from different levels in the fair value hierarchy, the measurement should be categorized based on the lowest priority level input that is significant to the valuation. The District's assessment of significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Investments measured at fair value using NAV per share (or equivalent) as a practical expedient to fair value are not classified in the fair value hierarchy.

The District's investments, including restricted assets, at June 30, 2017, are as follows:

	June 30, 2017	Level 1	Level 2	Level 3
Investments by fair value level:				
Debt securities:				
U.S. Treasuries	\$ 184,966,325	\$ -	\$ 184,966,325	\$ -
Federal Home Loan Bank	4,300,090	-	4,300,090	-
Government National Mortgage Association	5,876,878	-	5,876,878	-
Federal National Mortgage Association	1,489,557	-	1,489,557	-
Total debt securities	196,632,850	-	196,632,850	-
External investment pool:				
TexStar	2,165,704	-	2,165,704	-
Total investment pool	2,165,704	-	2,165,704	-
Total investments by fair value level	198,798,554	\$ -	\$ 198,798,554	\$ -
Investments measured at NAV based on amortized cost:				
LoneStar	300,773,534			
Texas Term	8,652,998			
TexPool	334,123,640			
Total investments measured at NAV	643,550,172			
Investments measured at amortized cost:				
Money market checking accounts	526,105			
Savings accounts	1,157,299			
Total investments	\$ 844,032,130			

Debt securities and external investment pools classified as Level 2 of the fair value hierarchy are valued using other observable significant inputs based on third party fixed-income pricing models. Investments in local government investment pools that meet the criteria of GASB Statement No. 79 are measured at each pool's published NAV per share which is based on amortized cost. Money market checking accounts and non-participating certificates of deposit are reported at amortized cost plus accrued interest.

**Investment objectives:** The primary objective of the District's investment activity is to provide the highest reasonable market return with the maximum security, while meeting daily cash flow requirements and conforming to all applicable state laws.

The District's investment policy contains investment strategies for each accounting fund of the District. The investment portfolio shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issue, a specific class of securities, or a specific institution.

**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

**Note 4. Deposits and Investments (Continued)**

**Credit risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the District. To help mitigate credit risk, the District's investment officer is to monitor changes in investment ratings and to liquidate investments that do not maintain satisfactory ratings. As of June 30, 2017, the District held \$645,715,876 in external investment pools, all of which were rated AAA by Standard & Poor's. In addition, as of June 30, 2017, the District held \$4,300,090 in Federal Home Loan Bank securities and \$1,489,557 in Federal National Mortgage Association securities that were rated AA+ by Standard & Poor's.

**Custodial credit risk:** Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside third party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the District and are held by the counterparty, its trust or agent, but not in the District's name. The District's investment securities are not exposed to custodial credit risk because all securities held by the District's custodial banks are in the District's name.

**Concentration of credit risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy requires the investment portfolio be diversified in terms of investment instruments, maturities and financial institutions to reduce the risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity or specific issuer. As of June 30, 2017, the District had no investments exposed to concentration of credit risk.

**Interest rate risk:** Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. As a means of limiting the exposure to fair value losses that could occur from rising interest rates, the District's investment policy limits the maturity of investments to no longer than one year, except for the Capital Projects Fund, which is one and one-half years.

As of June 30, 2017, the District's investments in debt securities mature as follows:

Investment Type	Investment Maturities (in Days)				Fair Value
	90 Days or Less	91 to 180 Days	181 to 365 Days	Greater Than 365 Days	
U.S. Treasuries	\$ 144,956,035	\$ 40,010,290	\$ -	\$ -	\$ 184,966,325
Federal Home Loan Bank	-	4,300,090	-	-	4,300,090
Government National Mortgage Association	-	-	-	5,876,878	5,876,878
Federal National Mortgage Association	-	-	-	1,489,557	1,489,557
Total debt securities	<u>\$ 144,956,035</u>	<u>\$ 44,310,380</u>	<u>\$ -</u>	<u>\$ 7,366,435</u>	<u>\$ 196,632,850</u>

**Texas Local Government Investment Pool:** Texas Local Government Investment Pool (TexPool) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poor's and has a weighted average maturity of 38 days.

## Austin Independent School District

### Notes to Basic Financial Statements June 30, 2017

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#### Note 4. Deposits and Investments (Continued)

TexPool meets the requirements of GASB Statement No. 79, and as such, measures its investments at amortized cost.

**Lone Star Investment Pool:** The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791, of the Texas Government Code, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is managed by an 11-member board of trustees and, pursuant to the investment agreement, the board of trustees is authorized and directed to adopt and maintain bylaws consistent with the bylaws of the Texas School Cash Management Program. Pursuant to Section 2256.016(g) of the Public Funds Investment Act, Lone Star has established an advisory board. The purpose of the advisory board is to gather and exchange information from participants and nonparticipants relating to Lone Star's operations. The Board has entered into an agreement with the Texas Association of School Boards (TASB), a Texas nonprofit corporation, pursuant to which TASB serves as administrator of Lone Star's operations. Standard & Poor's rates money market funds and has rated Lone Star as AAA. The District participates in the Government Overnight Fund and the Corporate Overnight Fund offered by Lone Star. The Government Overnight Fund and the Corporate Overnight Fund have a weighted average maturity of 22 days and 43 days, respectively.

The two Lone Star funds the District participates in both meet the requirements of GASB Statement No. 79, and as such, the District measures its investments at amortized cost.

**TexasTERM (TexasDAILY) Investment Pool:** TexasDAILY is a public funds investment pool established by the TexasTERM Local Government Investment Pool (TexasTERM) advisory board, pursuant to provisions of the TexasTERM Common Investment Contract that established the TexasTERM Local Government Investment Pool and the series known as TexasDAILY. TexasDAILY was organized in conformity with the Interlocal Cooperation Act, Chapter 791, Texas Government Code and the Public Funds Investment Act, Chapter 2256, Texas Government Code. An advisory board, composed of participants and nonparticipant members elected by the participant shareholders of TexasTERM, is responsible for the overall management of TexasTERM, including formulation and implementation of its investment and operating policies. In addition, the advisory board members select and oversee the activities of the investment advisor and custodian of TexasTERM and monitor investment performance and the method of valuing the shares. The investment advisor and administrator for TexasDAILY is PFM Asset Management, LLC. TexasTERM and TexasDAILY are rated AAAM by Standard & Poor's. TexasDAILY has a weighted average maturity of 35 days.

TexasTERM meets the requirements of GASB Statement No. 79, and as such, measures its investments at amortized cost.

**TexSTAR Investment Pool:** TexSTAR is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. The pool was created through a contract among its participating governmental units, and is governed by a board of directors to provide for the joint investment of participants' public funds and funds under their control. TexSTAR is managed by J.P. Morgan Investment Management, Inc., an affiliate of JPMorgan Chase Bank, N.A. a national banking association, and First Southwest Asset Management, Inc., an affiliate of Texas based First Southwest Company. TexSTAR's investment manager will maintain the dollar-weighted average maturity of 60 days or less, and the maximum stated maturity for any obligation of the United States, its agencies, or instrumentalities is limited to 397 days for fixed rate securities and 24 months for variable rate notes. TexSTAR is rated AAAM by Standard and Poor's. TexSTAR has a weighted average maturity of 40 days.

**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

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**Note 4. Deposits and Investments (Continued)**

TexSTAR does not meet the requirements of GASB Statement No. 79, and as such, measures its investments at fair value. The District, as a participant in TexSTAR, measures its investment in the pool at fair value determined by the pool.

**Note 5. Property Taxes**

In accordance with Texas statutes, the Board of the District approves a tax rate and order to levy taxes in August of each year. Property taxes are billed by the county tax assessor collector as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are payable on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of the year following the District's order to levy taxes (the assessment date), a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The assessment date represents the date on which an enforceable legal claim arises and attaches as a lien on the assessed property. In the government-wide financial statements, property tax revenue is recognized as earned, net of an allowance for uncollectible taxes. In the Governmental Fund financial statements, property tax revenues are considered available when they become due and receivable within the current period.

The final assessed value at January 1, 2016, upon which the October 2016 levy was based, was \$99,261,337,738.

The tax rates assessed for the fiscal year ended June 30, 2017, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.079 and \$0.113 per \$100 valuation, respectively, for a total of \$1.192 per \$100 of assessed valuation.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written-off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

As of June 30, 2017, property taxes receivable, net of estimated uncollectible taxes, totaled \$14,172,637 and \$1,676,011 for the General and Debt Service Funds, respectively.

**Note 6. 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, 2017 for the District's major fund and nonmajor funds are summarized below. All federal grants shown below are passed through TEA and are reported in the basic financial statements as receivable from other governments.

<b>Fund</b>	<b>Local Entities</b>	<b>State Grants and Other</b>	<b>Federal Grants</b>	<b>Total</b>
General Fund	\$ 3,282,670	\$ 7,750,619	\$ 332,526	\$ 11,365,815
Nonmajor fund	3,162,438	31,440,797	208,568	34,811,803
	<u>\$ 6,445,108</u>	<u>\$ 39,191,416</u>	<u>\$ 541,094</u>	<u>\$ 46,177,618</u>



**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

**Note 7. Changes in Capital Assets**

The following summarizes the change in capital assets for the fiscal year ended June 30, 2017:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 70,698,102	\$ 422,052	\$ -	\$ 71,120,154
Construction in progress	67,277,451	89,242,019	(113,076,685)	43,442,785
Total capital assets not being depreciated	<u>137,975,553</u>	<u>89,664,071</u>	<u>(113,076,685)</u>	<u>114,562,939</u>
Capital assets being depreciated:				
Buildings and improvements	1,531,901,639	112,396,733	-	1,644,298,372
Furniture and equipment	104,379,988	6,243,900	(781,400)	109,842,488
Total capital assets being depreciated	<u>1,636,281,627</u>	<u>118,640,633</u>	<u>(781,400)</u>	<u>1,754,140,860</u>
Less accumulated depreciation for:				
Buildings and improvements	(735,131,048)	(57,412,882)	-	(792,543,930)
Furniture and equipment	(73,792,180)	(7,720,594)	773,150	(80,739,624)
Total accumulated depreciation	<u>(808,923,228)</u>	<u>(65,133,476)</u>	<u>773,150</u>	<u>(873,283,554)</u>
Total capital assets being depreciated, net	<u>827,358,399</u>	<u>53,507,157</u>	<u>(8,250)</u>	<u>880,857,306</u>
Governmental activities capital assets, net	<u>\$ 965,333,952</u>	<u>\$ 143,171,228</u>	<u>\$ (113,084,935)</u>	<u>\$ 995,420,245</u>

Depreciation expense for the fiscal year ended June 30, 2017, was charged to functions/programs of primary government activities as follows:

Instruction	\$ 44,676,670
Instructional resources and media services	2,807,153
Curriculum and instructional staff development	1,940
Instructional leadership	12,754
School leadership	2,940,193
Guidance, counseling and evaluation services	310,531
Health services	103,126
Student (pupil) transportation	2,786,369
Food services	3,876,964
Curricular/extracurricular activities	3,297,445
General administration	11,770
Plant maintenance and operations	1,978,048
Security and monitoring services	240,542
Data processing services	660,332
Community services	73,933
Depreciation—administrative, exclusive of functional amounts	1,355,706
	<u>\$ 65,133,476</u>

**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

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**Note 8. Long-Term Obligations**

Long-term obligations include par bonds and loans, self-insurance claims payable, and net pension liability. At June 30, 2017, the District's debt limitation under local policies, which represents 10.0% of the District's total assessed property value for school tax purposes, is \$99,261,337,738, and the District's legal debt margin is 1.19%.

The following is a summary of changes in long-term obligations (including general obligation bonds, loans, self-insurance claims payable and net pension liability) for the fiscal year ended June 30, 2017:

	<b>Bonds Payable</b>	<b>Loans Payable</b>	<b>Self-Insurance Claims Payable</b>	<b>Net Pension Liability</b>
Balance—as reported at June 30, 2016	\$ 876,165,157	\$ 3,335,298	\$ 14,073,972	\$ 108,918,334
Additions—bond premium	96,241,668	-	-	-
Current year claims and/or changes in estimates	-	-	79,018,202	-
Bond issuances	543,205,000	-	-	-
Retirements	(312,550,285)	(381,156)	-	-
Claim payments	-	-	(78,894,059)	-
Amortized bond premium	(19,899,070)	-	-	-
Additions, net pension expense	-	-	-	9,643,953
Reductions, net deferred resources	-	-	-	(10,477,807)
Reductions—prior-year contributions	-	-	-	(8,382,896)
Balance at June 30, 2017	<u>\$ 1,183,162,470</u>	<u>\$ 2,954,142</u>	<u>\$ 14,198,115</u>	<u>\$ 99,701,584</u>
Amount due within one year	<u>\$ 65,497,633</u>	<u>\$ 406,968</u>	<u>\$ 10,459,000</u>	<u>\$ -</u>

The District primarily liquidates debt through the Debt Service Fund. Self-insurance liabilities are liquidated through the Internal Service Fund. The net pension liability will be liquidated in future years by the General Fund.

**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

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**Note 8. Long-Term Obligations (Continued)**

The following is a summary of the interest rates and original issue amounts for the District's long-term debt as of June 30, 2017:

<b>Description</b>	<b>Interest Rate Payable</b>	<b>Amounts Original Issue</b>
Bonded indebtedness:		
2004 Unlimited Tax Refunding Building Bonds	5.00-5.25%	\$ 111,935,000
2005B Unlimited Tax School Qualified Zone Academy Bonds	3.01%	4,491,923
2006 Unlimited Tax School Qualified Zone Academy Bonds	2.69%	6,408,071
2007 Unlimited Tax Refunding Bonds	3.00-5.00%	135,000,000
2008 Unlimited Tax School Qualified Zone Academy Bonds	0.00%	2,442,131
2008 Unlimited Tax Refunding Bonds	4.00-5.25%	100,000,000
2009 Unlimited Tax Refunding Bonds	2.00-5.00%	99,495,000
2010A Unlimited Tax Refunding Bonds	2.50-5.00%	25,165,000
2010B Unlimited Tax Refunding Bonds	3.68-5.24%	58,315,000
2011 Unlimited Tax Refunding Bonds	2.00-5.00%	91,625,000
2013A Unlimited Tax Refunding Bonds	1.50-5.50%	101,100,000
2013B Unlimited Tax Refunding Bonds	0.443-2.333%	8,555,000
2014A Unlimited Tax Refunding Bonds	2.00-5.00%	54,815,000
2014B Unlimited Tax Refunding Bonds	5.00%	89,595,000
2015A Unlimited Tax Refunding Bonds	3.15-5.00%	63,110,000
2015B Unlimited Tax Refunding Bonds	5.00%	87,295,000
2015 Unlimited Tax Qualified School Construction Bonds	4.85%	24,078,000
2016A Unlimited Tax Refunding	4.00-5.00%	100,230,000
2016B Unlimited Tax Refunding	4.00-5.00%	180,395,000
2016C Unlimited Tax Refunding	5.00%	43,620,000
2017 Unlimited Tax Refunding	2.50-5.00%	218,960,000
		<u>\$1,606,630,125</u>

**Austin Independent School District**

**Notes to Basic Financial Statements**

**June 30, 2017**

**Note 8. Long-Term Obligations (Continued)**

Description	Amounts Outstanding June 30, 2016	Additions Current Year	Retired Current Year	Amounts Outstanding June 30, 2017
Bonded indebtedness:				
Building bonds:				
1998 Unlimited Tax Refunding	\$ 18,720,000	\$ -	\$ (18,720,000)	\$ -
2002 Unlimited Tax School Qualified Zone Academy	5,082,652	-	(5,082,652)	-
2004 Unlimited Tax Refunding	18,230,000	-	(8,820,000)	9,410,000
2005B Unlimited Tax School Qualified Zone Academy	4,491,923	-	-	4,491,923
2006 Unlimited Tax Refunding	7,130,000	-	(7,130,000)	-
2006 Unlimited Tax School Qualified Zone Academy	6,408,071	-	-	6,408,071
2006A Unlimited Tax Refunding	3,400,000	-	(3,400,000)	-
2006B Unlimited Tax Refunding	24,185,000	-	(24,185,000)	-
2007 Unlimited Tax Refunding	24,885,000	-	(19,735,000)	5,150,000
2008 Unlimited Tax School Qualified Zone Academy	1,221,067	-	(152,633)	1,068,434
2008 Unlimited Tax Refunding	45,380,000	-	(38,705,000)	6,675,000
2009 Unlimited Tax Refunding	81,170,000	-	(71,970,000)	9,200,000
2010 Unlimited Tax Refunding	70,640,000	-	(4,060,000)	66,580,000
2011 Unlimited Tax Refunding	82,315,000	-	(71,740,000)	10,575,000
2013A Unlimited Tax Refunding	99,365,000	-	(36,680,000)	62,685,000
2013B Unlimited Tax Refunding	8,250,000	-	(2,170,000)	6,080,000
2014A Unlimited Tax Refunding	49,965,000	-	-	49,965,000
2014B Unlimited Tax Refunding	89,595,000	-	-	89,595,000
2015A Unlimited Tax Refunding	63,110,000	-	-	63,110,000
2015B Unlimited Tax Refunding	87,295,000	-	-	87,295,000
2015 Unlimited Tax Qualified School Construction Bonds	24,078,000	-	-	24,078,000
2016A Unlimited Tax Refunding	-	100,230,000	-	100,230,000
2016B Unlimited Tax Refunding	-	180,395,000	-	180,395,000
2016C Unlimited Tax Refunding	-	43,620,000	-	43,620,000
2017 Unlimited Tax Refunding	-	218,960,000	-	218,960,000
Bond premium	61,248,444	96,241,668	(19,899,070)	137,591,042
Total bond indebtedness	<u>\$ 876,165,157</u>	<u>\$ 639,446,668</u>	<u>\$ (332,449,355)</u>	<u>\$ 1,183,162,470</u>

**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

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**Note 8. Long-Term Obligations (Continued)**

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years ending June 30:			
2018	\$ 65,497,633	\$ 41,788,523	\$ 107,286,156
2019	66,897,633	43,117,290	110,014,923
2020	84,479,556	39,841,475	124,321,031
2021	59,030,704	36,641,077	95,671,781
2022	38,682,633	34,406,704	73,089,337
2023-2027	217,725,269	141,750,660	359,475,929
2028-2032	288,438,000	82,397,746	370,835,746
2033-2037	200,105,000	26,133,161	226,238,161
2038-2041	24,715,000	931,375	25,646,375
	<u>\$1,045,571,428</u>	<u>\$ 447,008,011</u>	<u>\$1,492,579,439</u>

In fiscal year 2017, the District issued two new series of bonded indebtedness as follows:

- The District entered into a contract, which was approved by the Board on August 4, 2016, to issue \$324,245,000 of Unlimited Tax Refunding Bonds as follows: \$100,230,000 of Series 2016A Bonds, \$180,395,000 of Series 2016B Bonds and \$43,620,000 of Series 2016C Bonds. The bonds were delivered on August 31, 2016. The District used \$100,230,000 of the Series 2016A Bonds plus premium and accrued interest on commercial paper interest earnings to retire a portion of its outstanding commercial paper balance. There is no economic gain or loss on this refinancing of commercial paper since commercial paper is a short-term obligation and bonded indebtedness is a long-term obligation. The District used the \$180,395,000 plus premium of the Series 2016B Bonds to refund \$191,150,000 of the District's currently outstanding bonds. This refunding transaction resulted in cash flow savings of \$26,517,330 and an economic gain (net present value savings) of \$21,838,523 over the life of the bonds. The District used the \$43,620,000 plus premium of the Series 2016C Bonds to refund \$50,375,000 of the District's currently outstanding bonds. This refunding transaction resulted in cash flow savings of \$10,263,878 and an economic gain (net present value savings) of \$8,199,505 over the life of the bonds.
- The District entered into a contract which was approved by the Board on April 24, 2017, to issue \$218,960,000 of Unlimited Tax Refunding Bonds, Series 2017, and delivered such bonds on June 21, 2017. The District used the \$218,960,000 plus premium to retire a portion of its outstanding commercial paper balance, as well as to pay for costs of the construction, acquisition, and equipment of school buildings and the acquisition of land and equipment. There is no economic gain or loss on this refinancing of commercial paper since commercial paper is a short-term obligation and bonded indebtedness is a long-term obligation.

In the current and prior years, the District legally defeased certain bonds by placing the proceeds of new bond issues in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the legally defeased bonds are no longer reported in the District's financial statements. There are no bonds defeased in-substance as of June 30, 2017.

**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

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**Note 8. Long-Term Obligations (Continued)**

There are a number of limitations and restrictions contained in the District's general obligation bond indenture. Management of the District believes it is in compliance with all significant limitations and restrictions at June 30, 2017.

The District entered into a loan agreement in March 2012 with the State Energy Conservation Office—General Services Commission. The District will repay the loan amount, plus interest at 2%. The loan will be repaid as follows:

<b>Fiscal Years</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 34,972	\$ 793	\$ 35,765
2019	16,450	132	16,582
	<u>\$ 51,422</u>	<u>\$ 925</u>	<u>\$ 52,347</u>

The District entered into a loan agreement in April 2012 with the State Energy Conservation Office—General Services Commission. The District will repay the loan amount, plus interest at 3%. The loan will be repaid as follows:

<b>Fiscal Years</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 371,996	\$ 88,268	\$ 460,264
2019	383,282	76,982	460,264
2020	394,910	65,354	460,264
2021	406,891	53,372	460,263
2022	419,236	41,028	460,264
2023-2027	926,405	45,218	971,623
	<u>\$ 2,902,720</u>	<u>\$ 370,222</u>	<u>\$ 3,272,942</u>

During fiscal year 2017, interest expense and cash paid for interest totaled \$37,228,819.

**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

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**Note 9. Interfund Receivables and Payables**

Interfund balances occur when one fund pays or receives resources for another fund. Interfund balances at June 30, 2017, consisted of the following fund receivables and payables:

	<u>Due From</u>	<u>Due To</u>
Major Fund—General:		
Debt Service	\$ 591,573	\$ -
Capital Projects	22,697,717	-
Nonmajor	32,364,877	6,282,847
Internal Service	24,057,902	-
Fiduciary	390,803	-
Total General Fund	<u>80,102,872</u>	<u>6,282,847</u>
Major Fund—Debt Service:		
General	-	591,573
Capital Projects	-	130,640
Nonmajor	34,206	-
Total Debt Service Fund	<u>34,206</u>	<u>722,213</u>
Major Fund—Capital Projects:		
General	-	22,697,717
Debt Service	130,640	-
Total Capital Projects Fund	<u>130,640</u>	<u>22,697,717</u>
Nonmajor Funds:		
General	6,282,847	32,364,877
Debt Service	-	34,206
Internal Service	-	77,024
Fiduciary	66,521	-
Total Nonmajor Funds	<u>6,349,368</u>	<u>32,476,107</u>
Internal Service Fund:		
General	-	24,057,902
Nonmajor	77,024	-
Fiduciary	719,569	-
Total Internal Service Fund	<u>796,593</u>	<u>24,057,902</u>
Fiduciary Funds:		
General	-	390,803
Nonmajor	-	66,521
Internal Service	-	719,569
Total Fiduciary Funds	<u>-</u>	<u>1,176,893</u>
Total all funds	<u>\$ 87,413,679</u>	<u>\$ 87,413,679</u>

During the year, the General Fund transferred \$8,000,000 to a nonmajor Internal Service Fund to partially fund health care costs.

During the year, the Debt Service Fund transferred \$365,000,000 to the Capital Projects Fund to pay for the costs of the construction or rehabilitation of public school facilities and the acquisition of land and equipment.

**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

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**Note 10. Commitments and Contingencies**

At June 30, 2017, the District is committed under contracts in the amount of approximately \$56 million. The commitments are for remaining work on various construction projects. These commitments are payable from the Capital Projects Fund.

The District participates in a number of federal financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments and Subpart F of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* through June 30, 2017, these programs are still subject to financial and compliance audits and resolution of previously identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The District leases certain building facilities and equipment on a year-to-year basis. Total rent expenditures for the year ended June 30, 2017, was \$4,220,006. These leases are considered for accounting purposes to be operating leases.

The District has been named in several civil lawsuits. The outcome of these pending cases cannot presently be determined; however, the District plans to vigorously contest each action. In the opinion of management, disposition of these lawsuits will have no material adverse effect on the financial position of the District.

The Travis County Central Appraisal District is a defendant in various lawsuits involving the property values assigned to property located within the District's boundaries on which the District assesses property taxes. Assessed values of property values under suit are as follows:

<b>Tax Years</b>	<b>Property Value</b>
2007	\$ 100,000
2008	11,414,331
2009	87,609,730
2010	94,267,829
2011	84,550,482
2012	11,367,182
2013	98,699,614
2014	475,545,028
2015	2,351,027,373
2016	7,824,545,596
2017	1,707,423
	<u>\$ 11,040,834,588</u>

The District could be required to refund property taxes paid on values which were greater than the ultimate final assessed valuation assigned by the court. Such lawsuits could continue several years into the future.



## Austin Independent School District

### Notes to Basic Financial Statements June 30, 2017

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#### Note 11. Defined Benefit Pension Plan

##### A. Plan Description

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

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

##### B. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. That report may be obtained by calling (512) 542-6592, on the Internet at [http://www.trs.texas.gov/TRS%20Documents/cafr\\_2016.pdf](http://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf); or by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698.

##### C. Benefits Provided

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

##### D. Contributions

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

**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

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**Note 11. Defined Benefit Pension Plan (Continued)**

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>th</sup> Texas Legislature, General Appropriations Act established the employer contribution rates for fiscal years 2016 and 2017.

	<u>2017</u>	<u>2016</u>
Member	7.7%	7.2%
Nonemployer Contributing Entity (State) (NECE)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2016 employer contributions		\$ 8,382,896
District's 2016 member contributions		\$ 36,218,112
District's 2016 NECE contributions		\$ 28,261,330

Contributors to the plan include members, employers and the state of Texas as the only nonemployer contributing entity. The state is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the state contributes to the plan in accordance with state statutes and the GAA.

As the nonemployer contributing entity for public education and junior colleges, the state of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Employers (public school, junior college, other entities or the state of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

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**Note 11. Defined Benefit Pension Plan (Continued)**

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the TRS the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

**E. Actuarial Assumptions**

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-Term Expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the four-year period ended August 31, 2014, and adopted on September 24, 2015.

**F. Discount Rate**

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

**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

**Note 11. Defined Benefit Pension Plan (Continued)**

Best estimates of geometric real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2016, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity:			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value:			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return:			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity:			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation	0%	0.0%	2.2%
Alpha	0%	0.0%	1.0%
Total	100%		8.7%

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

**G. Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the August 31, 2016, net pension liability.

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
District's proportionate share of the net pension liability	\$ 154,304,467	\$ 99,701,584	\$ 53,387,302

**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

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**Note 11. Defined Benefit Pension Plan (Continued)**

**H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the District reported a liability of \$99,701,584 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 99,701,584
State's proportionate share that is associated with the District	<u>333,457,622</u>
Total	<u><u>\$ 433,159,206</u></u>

The net pension liability was measured as of August 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015, through August 31, 2016.

At August 31, 2016, the employer's proportion of the collective net pension liability was 0.263841% which was a decrease of 14.37% from its proportion measured as of August 31, 2015.

**Changes since the prior actuarial valuation:** There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

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

During the measurement period ended August 31, 2016, the District recognized pension expense of \$34,812,502 and revenue of \$34,812,502 for on-behalf payments provided by the state.

As of the measurement date of August 31, 2016, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual economic experience	\$ 1,563,302	\$ 2,977,031
Changes in actuarial assumptions	3,038,725	2,763,595
Difference between projected and actual investment earnings	19,212,631	10,770,107
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	-	29,642,358
Contributions paid to TRS subsequent to the measurement date	<u>7,509,317</u>	<u>-</u>
Total	<u><u>\$ 31,323,975</u></u>	<u><u>\$ 46,153,091</u></u>

**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

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**Note 11. Defined Benefit Pension Plan (Continued)**

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

	<u>Pension Expense Amount</u>
Years ending June 30:	
2017	\$ (4,790,766)
2018	(4,790,766)
2019	594,288
2020	(5,204,377)
2021	(6,199,046)
Thereafter	(1,947,766)

The deferred outflows and deferred inflows resulting from the difference between projected and actual earnings on pension plan investments will be recognized as a reduction of pension expense over five years. The other deferred inflows and outflows will be recognized in pension expense using the average expected remaining service lives of all members.

**Note 12. Health Care Coverage**

**A. Health Insurance Plan**

During the year ended June 30, 2017, employees of the District were covered by a self-funded health insurance plan. During the 2011 plan year, the District established a self-funded health insurance program utilizing a plan provided by BCBS. As of January 1, 2015, the District switched providers from BCBS to Aetna. Under the Aetna health plan, employees have a choice of four plans, including two PPO plans and two ACO plans, one of which offers a health savings account.

Claims administration is contracted from a third-party administrator. Health benefit consultant services are contracted from an outside entity. The District maintains individual stop-loss coverage for catastrophic losses exceeding \$600,000 per claim.

Under Aetna, the District contributed \$524 per month, per employee to the plans. All contributions were paid to licensed insurers. The contracts between the District and the licensed insurer provide terms of coverage and contribution costs.

The latest financial statements for the insurance company, available for the year ended December 31, 2016, are filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

**B. Medicare Part D**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which became effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of 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. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by the District. These payments totaled \$2,657,305, \$2,145,399 and \$2,191,939 for fiscal years 2017, 2016 and 2015, respectively.

**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

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**Note 12. Health Care Coverage (Continued)**

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependents regardless of age. An “early retiree” is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor.

This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first-come, first-served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program. These funds are allocated to reporting agencies using the same basis as the Medicare Part D—On Behalf Payments. The temporary program was not available to TRS for the fiscal year ended June 30, 2017, and the ten-month period ended June 30, 2016; therefore, there was no allocation required.

**C. Retiree Health Plan**

**Plan description:** The District contributes to TRS-Care, a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. 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. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at [www.trs.texas.gov](http://www.trs.texas.gov) under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

**Funding policy:** Contribution requirements are not actuarially determined, but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The District made all required contributions during the fiscal year. Contribution rates and amounts are shown in the table below for fiscal years 2017-2015.

Year	Contribution Rates and Amounts					
	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2017	0.65%	\$3,530,290	1.00%	\$ 421,902	0.55%	\$2,987,168
2016	0.65%	3,256,814	1.00%	406,270	0.55%	2,755,766
2015	0.65%	3,515,795	1.00%	501,973	0.55%	2,974,903

## Austin Independent School District

### Notes to Basic Financial Statements June 30, 2017

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#### Note 13. Self-Insurance

The District participates in the Texas Association of School Boards Modified Self-Funded Program for its vehicle liability insurance. In connection therewith, stop-loss insurance for bodily injury over \$100,000 per person, \$300,000 per occurrence, and \$100,000 for personal property is maintained. The District is responsible for claims up to these amounts.

The District is self-insured for workers' compensation coverage. The District contributes amounts to the Internal Service Fund based on an estimate of the ultimate cost of claims expected to be incurred each year and changes in amounts estimated in prior years. The District's retention under this program is limited to \$600,000 per occurrence (all claims relating to an event are considered an occurrence). Through the Texas Association of School Boards Risk Management Fund, the District has contracted with Safety National Casualty Corporation, a commercial insurer licensed in the state of Texas, to provide the coverage per occurrence in excess of \$600,000 up to the statutory limit, as described by state law.

During the year ended June 30, 2017, employees of the District were covered by a self-funded health insurance plan. During the 2011 plan year, the District established a self-funded health insurance program utilizing a plan provided by Blue Cross Blue Shield of Texas. As of January 1, 2015, the District switched providers from BCBS to Aetna. Under the Aetna health plan, employees have a choice of four plans, including two PPO plans and two ACO plans, one of which offers a health savings account.

Claims administration is contracted from a third-party administrator. Health benefit consultant services are contracted from an outside entity. The District maintains individual stop-loss coverage for catastrophic losses exceeding \$600,000 per claim.

Changes in workers' compensation and health insurance claims liability amounts are as follows:

	2017		2016	
	Workers' Compensation	Health Insurance	Workers' Compensation	Health Insurance
Beginning of the year liability	\$ 6,561,100	\$ 7,512,872	\$ 6,391,471	\$ 7,000,000
Current year claims	2,966,933	75,927,126	2,368,928	65,229,761
Changes in estimates	178,015	(53,872)	169,629	512,872
Claim payments	(2,966,933)	(75,927,126)	(2,368,928)	(65,229,761)
End of the year liability	<u>\$ 6,739,115</u>	<u>\$ 7,459,000</u>	<u>\$ 6,561,100</u>	<u>\$ 7,512,872</u>

The end of the year liability includes claims incurred and reported and estimated claims incurred, but not reported based on historical activity. Due to the types of risk self-insured, the ultimate amount to be paid out may be more or less than the amount accrued at June 30, 2017. The District has a contingent liability in the event the insurer is unable to fulfill its responsibility under the contract or the incurred claims exceed the amounts covered by stop-loss coverage. There have been no claim settlements exceeding the District's retention limits in the last three years.



**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

**Note 14. Short-Term Debt**

In June 2005, the Board approved the issuance of Austin Independent School District Commercial Paper Notes, Series A (Commercial Paper) in an aggregate principal amount not to exceed \$150,000,000 for the purpose of funding new construction and rehabilitation and renovation of existing facilities. The Commercial Paper notes mature in not more than 270 days from issuance and are supported by a revolving credit agreement with Mizuho Bank, Ltd. The Commercial Paper is secured by a pledge of the proceeds of future general obligation bonds or loans issued by the District to pay the principal of the Commercial Paper or proceeds from ad valorem property taxes. As of June 30, 2017, the District had no outstanding Commercial Paper. Since the beginning of the Commercial Paper Program, the District has issued approximately \$971 million in bonds, using a portion of the proceeds from each of the bond issuances to partially refinance the Commercial Paper. As of June 30, 2017, \$955 million of bond proceeds have been used to refinance the Commercial Paper.

Changes in the Commercial Paper are as follows:

	<b>June 30</b>	
	<b>2017</b>	<b>2016</b>
Beginning of the period liability	\$ 100,000,000	\$ 20,000,000
Bonds issued	(140,000,000)	-
Commercial paper issuances	40,000,000	80,000,000
End of the period liability	<u>\$ -</u>	<u>\$ 100,000,000</u>

**Note 15. Fund Balance**

Designations of governmental fund balance as of June 30, 2017, were as follows:

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Fund balances:					
Nonspendable:					
Inventories	\$ 229,374	\$ -	\$ -	\$ 3,273,948	\$ 3,503,322
Restricted:					
Retirement of long-term debt	-	142,926,713	-	-	142,926,713
Federal and state funds grants	-	-	-	5,054,349	5,054,349
Assigned:					
Administration	1,200,000	-	-	-	1,200,000
Community services	76,000	-	-	-	76,000
Facilities improvements	2,400,000	-	188,991,765	-	191,391,765
Instructional related	4,877,360	-	-	-	4,877,360
Instructional and school leadership related	22,802	-	-	-	22,802
Plan Maintenance and Operations	1,740,017	-	-	-	1,740,017
Professional pathways for teachers	3,000,000	-	-	-	3,000,000
Special projects (emergency spending and e-rate reimbursements)	10,406,963	-	-	-	10,406,963
Support services (student related)	226,777	-	-	-	226,777
Unassigned	277,410,128	-	-	-	277,410,128
Total fund balances	<u>\$ 301,589,421</u>	<u>\$ 142,926,713</u>	<u>\$ 188,991,765</u>	<u>\$ 8,328,297</u>	<u>\$ 641,836,196</u>

**Austin Independent School District**

**Notes to Basic Financial Statements  
June 30, 2017**

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**Note 16. Shared Services Arrangements**

The District is the fiscal agent for one shared services arrangement (SSA) which provides deaf education services to member districts whose students are enrolled in the Regional Day School Program for the Deaf. In addition to the District, other member districts in this SSA include the Del Valle ISD.

The District, acting as the fiscal agent, receives monies from the granting agencies and administers the programs. The fiscal agent is responsible for employment of personnel, budgeting, accounting, and reporting. According to guidance provided in TEA's FAR, the District has accounted for the activities of the SSA in the appropriate Special Revenue Funds. Additionally, the SSA's are accounted for using the "Accounting and Reporting Treatment Guidance Section" of FAR.

According to the SSA agreements, costs incurred by the SSA's shall be divided among the member districts in proportion to the number of students each member district has attending the Regional Day School Program and/or receiving services through the Indian Education Formula Grant Consortium.

Expenditures allocated to the SSA members as of June 30, 2017, are summarized below by program:

<b>Regional Day School for the Deaf</b>	<b>All Districts</b>	<b>Austin ISD</b>	<b>Del Valle ISD</b>
Number of Students	66	59	7
Fund Year			
315.7	\$ 62,509	\$ 55,879	\$ 6,630
Discretionary Deaf	62,509	55,879	6,630
340.7	167	149	18
Early Intervention	167	149	18
435.6	6,392	5,714	678
435.7	447,255	399,819	47,436
State Deaf	453,647	405,533	48,114
Total	\$ 516,323	\$ 461,561	\$ 54,762

## **Required Supplementary Information**

Required supplementary information includes financial information and disclosures required by GASB, but not considered a part of the basic financial statements.

**Austin Independent School District**

**Exhibit G-1 Budgetary Comparison Schedule—General Fund  
Year Ended June 30, 2017**

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget
		Original	Final		
<b>Revenues</b>					
5700	Local and intermediate sources	\$ 1,071,040,297	\$ 1,076,646,240	\$ 1,082,629,084	\$ 5,982,844
5800	State program revenues	66,516,398	67,300,707	78,582,376	11,281,669
5900	Federal program revenues	23,472,742	26,564,456	28,152,045	1,587,589
5020	<b>Total revenues</b>	<b>1,161,029,437</b>	<b>1,170,511,403</b>	<b>1,189,363,505</b>	<b>18,852,102</b>
<b>Expenditures</b>					
Current:					
0011	Instruction	443,827,826	424,287,858	426,328,039	(2,040,181)
0012	Instructional resources and media services	10,828,646	10,565,109	10,671,364	(106,255)
0013	Curriculum and instructional staff development	11,107,919	12,512,300	12,885,879	(373,579)
0021	Instructional leadership	12,915,648	13,917,015	17,179,903	(3,262,888)
0023	School leadership	51,221,764	51,468,477	52,697,746	(1,229,269)
0031	Guidance, counseling and evaluation services	21,530,594	23,565,934	23,453,859	112,075
0032	Social work services	5,393,801	5,548,921	5,523,828	25,093
0033	Health services	6,256,220	6,230,837	5,490,324	740,513
0034	Student (pupil) transportation	28,319,215	33,539,248	33,423,782	115,466
0036	Curricular/extracurricular activities	14,516,359	13,941,264	13,868,764	72,500
0041	General administration	19,420,182	21,862,830	20,820,960	1,041,870
0051	Plant maintenance and operations	77,887,228	91,749,155	91,396,375	352,780
0052	Security and monitoring services	10,705,003	11,068,347	11,026,398	41,949
0053	Data processing services	21,182,682	25,157,684	21,548,092	3,609,592
0061	Community services	4,443,892	5,588,292	6,152,649	(564,357)
0071	Principal on long-term debt	496,029	496,029	381,156	114,873
0072	Interest on long-term debt	-	-	100,706	(100,706)
0081	Capital outlay	1,665,000	10,192,010	7,254,841	2,937,169
0091	Contracted instructional services between schools	406,064,487	405,345,868	403,324,244	2,021,624
0093	Payments related to shared services arrangements	3,045,497	2,583,001	2,582,967	34
0099	Other intergovernmental charges	6,351,530	6,351,530	5,976,970	374,560
6030	<b>Total expenditures</b>	<b>1,157,179,522</b>	<b>1,175,971,709</b>	<b>1,172,088,846</b>	<b>3,882,863</b>
1100	<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>3,849,915</b>	<b>(5,460,306)</b>	<b>17,274,659</b>	<b>22,734,965</b>
<b>Other Financing Sources (Uses)</b>					
7912	Sale of real or personal property	51,000	51,000	54,642	3,642
8911	Transfer out	-	-	(8,000,000)	(8,000,000)
8949	Other uses	(81,000)	(8,119,672)	(6,898)	8,112,774
7080	<b>Total other financing sources (uses)</b>	<b>(30,000)</b>	<b>(8,068,672)</b>	<b>(7,952,256)</b>	<b>116,416</b>
1200	<b>Net change in fund balance</b>	<b>3,819,915</b>	<b>(13,528,978)</b>	<b>9,322,403</b>	<b>22,851,381</b>
0100	Fund balance at beginning of period	292,267,018	292,267,018	292,267,018	-
3000	Fund balance at end of period	\$ 296,086,933	\$ 278,738,040	\$ 301,589,421	\$ 22,851,381

See accompanying independent auditor's report.

**Austin Independent School District**

**Exhibit G-1 Note to Budgetary Comparison Schedule—General Fund  
Year Ended June 30, 2017**

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**Note 1. Budgetary Data**

Formal budgetary accounting is employed for the General Fund, as outlined in TEA's FAR. The budgetary comparison schedule is presented on the modified accrual basis of accounting consistent with GAAP. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund types prior to June 19 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The budget is formally adopted by the Board at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis generally consistent with GAAP for the General Fund, Debt Service Fund and the Food Service Special Revenue Fund. The remaining Special Revenue Funds and the Capital Projects Fund adopt project-length budgets, which do not correspond to the District's fiscal year. Each annual budget for these funds is presented on the modified accrual basis of accounting, which is consistent with GAAP. The Board amended the budget throughout the year. Such amendments are before the fact and are reflected in the official minutes of the Board.

During 2017, the District had unfavorable variances in the following functions: instruction (FN0011), instructional resources and media services (FN 0012), curriculum and instructional staff development (FN0013), instructional leadership (FN0021), school leadership (FN 0023), and community services (FN0061) due to timings between budget entries and accrued expenditures posting.

**Austin Independent School District**

**Schedule of the District's Proportionate Share of the Net Pension Liability  
Last Three Fiscal Years**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.2638410%	0.3081257%	0.3830850%
District's proportionate share of net pension liability	\$ 99,701,584	\$ 108,918,334	\$ 102,327,301
State's proportionate share of the net pension liability associated with the district	335,457,622	329,898,170	280,740,695
<b>Total</b>	<b>\$ 435,159,206</b>	<b>\$ 438,816,504</b>	<b>\$ 383,067,996</b>
District's covered-employee payroll	\$ 501,048,279	\$ 540,891,491	\$ 530,498,281
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	19.90%	20.14%	19.29%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%

The information disclosed for each fiscal year is reported as of the measurement date of the net pension liability which is August 31 of the preceding fiscal year.

Only three years of data is presented in accordance with GASB Statement No. 68, Paragraph 138. The information for all periods for the 10-year schedules that are required to be presented as required supplementary information is not available. During this transition period, the information will be presented for as many years as are available.

See accompanying independent auditor's report.

**Austin Independent School District**

**Schedule of District Contributions  
Last Three Fiscal Years**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 7,509,317	\$ 6,820,214	\$ 9,712,268
Contribution in relation to the contractually required contribution	(7,509,317)	(6,820,214)	(9,712,268)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 543,121,481	\$ 501,048,279	\$ 540,891,491
Contributions as a percentage of covered-employee payroll	1.38%	1.36%	1.80%

The information disclosed for each fiscal year is reported as of the District's fiscal year-end date (June 30, 2017 and 2016, and August 31, 2015).

Only three years of data is presented in accordance with GASB Statement No. 68, Paragraph 138. The information for all periods for the 10-year schedules that are required to be presented as required supplementary information is not available. During this transition period, the information will be presented for as many years as are available.

See accompanying independent auditor's report.

**Austin Independent School District**

**Note to Required Supplementary Information  
June 30, 2017**

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**Note 1. Changes to Benefit Terms**

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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



## **Other Supplementary Information Section**

This section includes financial information and disclosures not required by GASB and is not considered a part of the basic financial statements. It may, however, include information that is required by other entities.

**Austin Independent School District**

**Exhibit J-1 Schedule of Delinquent Taxes Receivable  
Year Ended June 30, 2017**

Years Ended June 30:	1		3	10	20	30	30a	40	50
	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance at July 1, 2016	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance at June 30, 2017
2008 and prior years	Various	Various	Various	\$ 18,175,795	\$ -	\$ 159,935	\$ 18,923	\$ (108,118)	\$ 17,888,819
2009	1.0790	0.1230	\$ 52,962,285,527	1,331,410	-	67,465	7,688	10,881	1,267,138
2010	1.0790	0.1230	58,836,304,076	1,399,683	-	86,983	9,912	11,320	1,314,108
2011	1.0790	0.1480	61,630,025,136	1,400,453	-	132,290	18,142	8,317	1,258,338
2012	1.0790	0.1630	59,795,510,706	1,424,690	-	165,428	24,982	10,639	1,244,919
2013	1.0790	0.1630	60,510,010,799	1,582,695	-	126,149	19,050	(115,093)	1,322,403
2014	1.0790	0.1630	62,672,946,147	2,079,007	-	158,168	23,885	(289,070)	1,607,884
2015	1.0790	0.1430	67,349,173,527	2,921,880	-	(94,894)	(12,574)	(1,067,870)	1,961,478
2016	1.0790	0.1230	75,479,270,096	8,395,154	-	33,038	3,765	(5,409,481)	2,948,870
2017 (school year under audit)	1.0790	0.1130	99,261,337,738	-	1,183,195,146	1,054,993,474	110,485,878	(8,637,650)	9,078,144
<b>1000 Totals</b>				<b>\$ 38,710,767</b>	<b>\$ 1,183,195,146</b>	<b>\$ 1,055,828,036</b>	<b>\$ 110,599,651</b>	<b>\$ (15,586,125)</b>	<b>\$ 39,892,101</b>

Austin Independent School District

Exhibit J-4 Budgetary Comparison Schedule Required By the Texas Education Agency—National School Breakfast and Lunch Programs  
Year Ended June 30, 2017

Data Control Codes		1		2	3	Variance With Final Budget
		Budgeted Amounts		Final		
		Original	Final	Actual		
	<b>Revenues</b>					
5700	Local and intermediate sources	\$ 6,022,955	\$ 6,016,576	\$ 7,940,597	\$ 1,924,021	
5800	State program revenues	1,174,651	1,174,651	1,760,490	585,839	
5900	Federal program revenues	29,603,494	29,269,706	29,361,545	91,839	
5020	<b>Total revenues</b>	<u>36,801,100</u>	<u>36,460,933</u>	<u>39,062,632</u>	<u>2,601,699</u>	
	<b>Expenditures</b>					
	Current:					
0035	Food service	36,801,100	36,460,933	39,734,577	(3,273,644)	
6030	<b>Total expenditures</b>	<u>36,801,100</u>	<u>36,460,933</u>	<u>39,734,577</u>	<u>(3,273,644)</u>	
1100	<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>(671,945)</u>	<u>(671,945)</u>	
1200	<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>(671,945)</u>	<u>(671,945)</u>	
0100	Fund balance at beginning of period	5,882,591	5,882,591	5,882,591	-	
3000	Fund balance at end of period	<u>\$ 5,882,591</u>	<u>\$ 5,882,591</u>	<u>\$ 5,210,646</u>	<u>\$ (671,945)</u>	

Austin Independent School District

Exhibit J-5 Budgetary Comparison Schedule Required By the Texas Education Agency—Debt Service Fund  
Year Ended June 30, 2017

Data Control Codes	1		2	3	Variance With Final Budget
	Budgeted Amounts				
	Original	Final		Actual	
<b>Revenues</b>					
5700	Local and intermediate sources	\$ 111,850,078	\$ 112,295,323	\$ 111,993,100	\$ (302,223)
5800	State program revenues	1,303,766	1,303,766	1,020,322	(283,444)
5900	Federal program revenues	900,083	917,031	917,030	(1)
5020	<b>Total revenues</b>	<u>114,053,927</u>	<u>114,516,120</u>	<u>113,930,452</u>	<u>(585,668)</u>
<b>Expenditures</b>					
0071	Principal and interest on long-term debt	106,464,540	108,267,392	112,299,011	(4,031,619)
6030	<b>Total expenditures</b>	<u>106,464,540</u>	<u>108,267,392</u>	<u>112,299,011</u>	<u>(4,031,619)</u>
1100	<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>7,589,387</u>	<u>6,248,728</u>	<u>1,631,441</u>	<u>(4,617,287)</u>
<b>Other Financing Sources (Uses)</b>					
7911	Capital-related debt issued (regular bonds)	-	542,245,000	543,205,000	960,000
7916	Premium or discount on issuance of bonds	-	95,732,662	96,241,668	509,006
8911	Transfers out	-	-	(365,000,000)	(365,000,000)
8940	Payment to bond refunding escrow agent	-	-	(270,822,336)	(270,822,336)
8949	Other uses	-	(643,310,946)	-	643,310,946
7080	<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(5,333,284)</u>	<u>3,624,332</u>	<u>8,957,616</u>
1200	<b>Net change in fund balance</b>	<u>7,589,387</u>	<u>915,444</u>	<u>5,255,773</u>	<u>4,340,329</u>
0100	Fund balance at beginning of period	<u>137,670,940</u>	<u>137,670,940</u>	<u>137,670,940</u>	<u>-</u>
3000	Fund balance at end of period	<u>\$ 145,260,327</u>	<u>\$ 138,586,384</u>	<u>\$ 142,926,713</u>	<u>\$ 4,340,329</u>

## **Federal Awards Section**

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**Independent Auditor's 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***

To the Board of Trustees  
Austin Independent School District

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 Austin Independent School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2017.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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* or the Public Funds Investment Act.

**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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

Austin, Texas  
November 14, 2017



**Independent Auditor's Report on Compliance for Each  
Major Federal Program and Report on Internal Control  
Over Compliance as Required by the Uniform Guidance**

To the Board of Trustees  
Austin Independent School District

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

We have audited Austin Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB 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, 2017. 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 federal statutes, regulations and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the 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, 2017.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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 the Uniform Guidance, 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-003, that we consider to be material weaknesses.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*RSM US LLP*

Austin, Texas  
November 14, 2017

**Austin Independent School District**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017**

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**Section I—Summary of Auditor’s Results**

1. Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

           Yes   X   No

Significant deficiency(ies) identified?

           Yes   X   None Reported

Noncompliance material to financial statements noted?

           Yes   X   No

2. Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

  X   Yes            No

Significant deficiency(ies) identified?

           Yes   X   None Reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

  X   Yes            No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027A	Special Education Cluster
84.173A	IDEA—Part B
84.287C	IDEA—Part B, Preschool
84.365A	21st Century Community Learning Centers
	Title III, Part A—LEP

Dollar threshold used to distinguish between type A and type B programs:

\$ 2,603,609

Auditee qualified as low-risk auditee?

  X   Yes            No

**Austin Independent School District**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2017**

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**Section II—General Purpose Financial Statement Findings**

No matters were reported.

**Section III—Federal Award Findings and Questioned Costs**

**Finding 2017-001**

**CFDA #84.365A: Title III, Part A**

**Award Number: 17671001227901**

**Award Year: 2017**

**Federal Agency: United States Department of Education**

**Pass Through Entity: Texas Education Agency**

**Type of Finding: Material Weakness in Internal Control**

**Criteria:** Uniform Guidance 2 CFR Part 200 establishes principles and standards for determining allowable direct and indirect costs for federal awards and requires that non-federal entities receiving federal awards establish and maintain internal control to provide reasonable assurance of compliance with federal statutes, regulations and the terms and conditions of the federal award. Additionally, grantees must have procedures for determining that costs for federal awards are accurate and complete.

**Condition:** In our sample of personnel expenses for substitute teachers and teacher's supplemental pay, we found that seven of 36 items in our sample were not approved on a timely basis by the Director of State and Federal Programs, as required by District procedures. All the items in the sample were verified during the audit process as being allowable for the program and were found to be approved on a timely basis through the District's approval process for non-state or federal personnel expenses. For a period of time during the fiscal year, the District's system of approval of expenditures did not route all substitute teachers and supplemental pay approval forms to the Director of State and Federal Programs. All such costs were ultimately processed through the District's compliance review and approval process.

**Context:** See "Condition" above.

**Questioned costs:** None

**Effect:** Personnel costs for substitute teachers and supplemental pay for a short period of time during the fiscal year were delayed in being processed through the state and federal expenditure compliance review and approval procedures for this program. All such costs were ultimately processed through the District's compliance review and approval procedures.

**Cause:** The District encountered employee turnover and implemented a new accounting and payroll system during the fiscal year.

**Recommendation:** We recommend the District's employees adhere to the policies and procedures that require the review and approval by the Director of State and Federal Programs for all expenditures charged to federal grant programs.

**Views of responsible officials:** The District agrees with this finding.

**Austin Independent School District**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2017**

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**Finding 2017-002**

**CFDA #84.365A: Title III, Part A**  
**Award Number: 17671001227901**  
**Award Year: 2017**  
**Federal Agency: United States Department of Education**  
**Pass Through Entity: Texas Education Agency**  
**Type of Finding: Noncompliance**

**Criteria:** Uniform Guidance 2 CFR Part 200 establishes principles and standards for determining allowable direct and indirect costs for federal awards and requires that non-federal entities receiving federal awards establish and maintain internal control to provide reasonable assurance of compliance with federal statutes, regulations and the terms and conditions of the federal award. Additionally, grantees must have procedures for determining that costs for federal awards are accurate and complete.

**Condition:** In our sample of personnel expenses charged to the program, we found three of the sample items totaling \$21,825 for the year were for compensation and benefits for individuals not approved by the Director of State and Federal Programs as allowable for Title III, Part A. Additional procedures were performed to test that all compensation and benefits recorded in the program were for individuals working in the Title III, Part A program and one additional person's compensation totaling \$9,449 was found to have been incorrectly charged to the program, bringing the total known questioned cost based on actual cost recorded to \$31,274.

**Context:** See "Condition" above.

**Questioned costs:** \$31,274

**Effect:** Personnel costs for this program of \$31,274 were unallowable.

**Cause:** The District encountered employee turnover and implemented a new accounting and payroll system during the fiscal year.

**Recommendation:** We recommend the District's employees adhere to the policies and procedures that require the review and approval by the Director of State and Federal Programs for all expenditures charged to federal programs.

**Views of responsible officials:** The District agrees with this finding.

**Austin Independent School District**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2017**

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**Finding 2017-003**

**CFDA # 84.027A: IDEA—Part B**  
**Award Number: 176600012279016600**  
**Award Year: 2017**  
**Federal Agency: United States Department of Education**  
**Pass Through Entity: Texas Education Agency**  
**Type of Finding: Material Weakness in Internal Control**

**Criteria:** Uniform Guidance 2 CFR Parts 200.302 and 303 establish principles and standards for financial management and internal controls for federal awards and requires that non-federal entities receiving federal awards establish and maintain internal control to provide reasonable assurance of compliance with federal statutes, regulations and the terms and conditions of the federal award.

**Condition:** The District submitted Requests for Advance or Reimbursement Forms (SF-270) periodically during the fiscal year using the costs for the program reported in its accounting system. During the year, the District's program and financial management identified certain employee compensation costs that were being recorded or classified incorrectly and that allowable indirect cost charges were also not being recorded or classified correctly. The District's financial management reviewed and verified all employee compensation and indirect cost charges to the program for the entire fiscal year and recorded appropriate adjustments prior to filing the June 2017 Final Report for IDEA Part B Grant with the Texas Education Agency. The total IDEA Part B program costs as reported on the June 2017 Final Report for IDEA Part B Grant were in agreement with the District's accounting system and records.

**Context:** See "Condition" above.

**Questioned costs:** None

**Effect:** The financial information supporting the Request for Advance or Reimbursement Forms (SF-270s) filed with the Texas Education Agency during the year was updated subsequent to year-end. In total, the costs charged to the IDEA Part B program did not change, but the cost types did require reclassification to some of the amounts previously reported during the year.

**Cause:** The District encountered employee turnover and implemented a new accounting and payroll system during the fiscal year. The District's staff reviewed all employee compensation charges for the fiscal year and recorded adjustments as needed, which took more time than originally anticipated. The classification of certain employee compensation and indirect cost elements were adjusted as of the District's year-end.

**Recommendation:** We recommend the District add additional reviews by the comptroller or accounting manager of Request for Advance or Reimbursement Forms (SF-270s) being filed with the Texas Education Agency during fiscal year 2018.

**Views of responsible officials:** The District agrees with this finding.

**Austin Independent School District**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2017**

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None

**Austin Independent School District**

**Exhibit K-1 Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017**

(1) Project Number	Data Control Codes	Federal Grantor/Pass-Through Grantor/Program Title	(2) Federal CFDA Number	Passed Through Subrecipients	(3) Expenditures Indirect Costs and Refunds
<u>United States Department of Education:</u>					
<b>Direct Programs:</b>					
N/A	244	CTE Makeover Challenge-Reagan High School	84.048	\$ -	\$ 1,821
N/A	244	CTE Makeover Challenge-Travis High School	84.048	-	11,126
		Subtotal, CTE Makeover Challenge		-	12,947
S060A150771	379	Indian Education Formula Grants to LEAs	84.060A	-	1,681
S060A160771	379	Indian Education Formula Grants to LEAs	84.060A	-	20,334
		Subtotal, Indian Education Formula Grants to LEAs		-	22,015
U351C140069	289	Project Creative Learning*	84.351C	-	11,348
U351C140069-15	289	Project Creative Learning	84.351C	-	239,053
		Subtotal, Project Creative Learning		-	250,401
S374A100010	289	REACH: Supporting and Rewarding Success in the Classroom	84.374A	-	261,161
		Total Direct Programs		-	546,524
<b>Passed Through The University of Texas at Austin:</b>					
N/A	199	Federal Work-Study Program	84.033	-	18,866
		Total Passed Through The University of Texas at Austin		-	18,866
<b>Passed Through the Texas Education Agency:</b>					
16610101227901	211	ESEA, Title I, Part A—Improving Basic Programs	84.010A	-	71,396
17610101227901	211	ESEA, Title I, Part A—Improving Basic Programs	84.010A	-	23,990,568
		Subtotal, ESEA Title I Part A—Improving Basic Programs		-	24,061,964
16610103227901	211	ESEA Title I Part D, Subpart 2—Delinquent Programs	84.010A	-	10,821
17610103227901	211	ESEA Title I Part D, Subpart 2—Delinquent Programs	84.010A	-	540,904
		Subtotal, ESEA Title I Part D, Subpart 2—Delinquent Programs		-	551,725
16610112227901000	211	Title I 1003(A) Priority and Focus School Grants	84.010A	-	126,042
17610112227901000	211	Title I 1003(A) Priority and Focus School Grants	84.010A	-	473,412
		Subtotal, ESEA Title I 1003(A) Priority and Focus School Grants		-	599,454
		Subtotal, CFDA 84.010A		-	25,213,143
166600012279016600	224	IDEA—Part B, Formula	84.027A	-	44,911
176600012279016600	224	IDEA—Part B, Formula	84.027A	-	13,312,402
		Subtotal, IDEA—Part B, Formula		-	13,357,313
176600022279016674	226	IDEA B—Discretionary	84.027A	-	6,643
*176600062279016680	226	IDEA B—High Cost Risk Pool	84.027A	-	586,413
166600112279016673	315	IDEA—Part B, Discretionary (Deaf)	84.027A	-	2,056
17660011227901	315	IDEA—Part B, Discretionary (Deaf)	84.027A	-	63,147
		Subtotal, IDEA—Part B, Discretionary (Deaf)		-	65,203
166600012279016601	316	IDEA—Part B, Formula (Deaf)	84.027A	-	233
		Subtotal, CFDA 84.027A		-	14,015,805
16420006227901	244	Carl D. Perkins Basic Grant Formula for CATE	84.048A	-	817
17420006227901	244	Carl D. Perkins Basic Grant Formula for CATE	84.048A	-	1,075,647
		Subtotal, Carl D. Perkins Basic Grant Formula for CATE		-	1,076,464
166610012279016610	225	IDEA—Part B, Preschool	84.173A	-	709
176610012279016610	225	IDEA—Part B, Preschool	84.173A	-	338,473
		Subtotal, IDEA—Part B, Preschool		-	339,182

(Continued)

\*Grants awarded before December 26, 2014 and subject to Circular A-133.



**Austin Independent School District**

**Exhibit K-1 Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2017**

(1) Project Number	Data Control Codes	Federal Grantor/Pass-Through Grantor/Program Title	(2) Federal CFDA Number	Passed Through Subrecipients	(3) Expenditures Indirect Costs and Refunds
166610012279016611	317	IDEA—Part B, Preschool (Deaf)	84.173A	\$ -	\$ 212
		Subtotal, CFDA 84.173A		-	339,394
173911012279013911	340	IDEA—Part C, Early Childhood Intervention (Deaf)	84.181A	-	166
166950167110003	265	21st Century Community Learning Centers CY 7 Yr 5	84.287C	-	135,954
166950197110003	265	21st Century Community Learning Centers CY 8 Yr 3	84.287C	-	203,615
176950247110001	265	21st Century Community Learning Centers CY 9 Yr 1	84.287C	-	1,563,159
176950197110003	265	21st Century Community Learning Centers CY 8 Yr 4	84.287C	-	1,939,704
		Subtotal, 21st Century Community Learning Centers		-	3,842,432
16671001227901	263	Title III, Part A—LEP	84.365A	-	4,556
17671001227901	263	Title III, Part A—LEP	84.365A	-	2,360,250
		Subtotal, Title III, Part A—LEP		-	2,364,806
16671003227901	263	Title III, Part A—Immigrant	84.365A	-	188
17671003227901	263	Title III, Part A—Immigrant	84.365A	-	425,102
		Subtotal, Title III, Part A—Immigrant		-	425,290
		Subtotal, CFDA 84.365A		-	2,790,096
16694501227901	255	ESEA Title II, Part A Teacher and Principal Training and Recruiting	84.367A	-	9,521
17694501227901	255	ESEA Title II, Part A Teacher and Principal Training and Recruiting	84.367A	-	2,378,530
		Subtotal, ESEA Title II, Part A Teacher and Principal Training and Recruiting		-	2,388,051
69551502	289	Summer School LEP	84.369A	-	2,463
156460037110003	289	Texas Literacy Initiative	84.371C	-	(12,672)
166460037110003	289	Texas Literacy Initiative	84.371C	-	2,181,592
		Subtotal, Texas Literacy Initiative		-	2,168,920
		<b>Total Passed Through the Texas Education Agency</b>		-	51,836,934
		<b>Passed Through Austin Community College:</b>			
1414AEL000	220	Adult Ed.—English Literacy & Civics Education, Section 231	84.002A	-	(2,638)
1416AEL000	220	Adult Education / Federal Civics	84.002A	-	66,864
1416AEL006	220	Texas Adult Education and Literacy Programs	84.002A	-	125,505
		<b>Total Passed Through the Austin Community College</b>		-	189,731
		<b>Passed Through the Education Service Center, Region 10:</b>			
16-049	206	McKinney-Vento Homeless Education	84.196A	-	28,139
17-034	206	McKinney-Vento Homeless Education	84.196A	-	159,045
		<b>Total Passed Through the Education Service Center, Region 10</b>		-	187,184
		<b>Passed Through the Education Service Center, Region 13:</b>			
N/A	206	McKinney-Vento Homeless Education	84.196A	-	1,995
N/A	206	McKinney-Vento Homeless Education	84.196A	-	1,690
		<b>Total Passed Through the Education Service Center, Region 10</b>		-	3,685
		Subtotal, CFDA 84.196A		-	190,869
		<b>Total United States Department of Education</b>		-	52,782,924

(Continued)

\*Grants awarded before December 26, 2014 and subject to Circular A-133.

**Austin Independent School District**

**Exhibit K-1 Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2017**

(1) Project Number	Data Control Codes	Federal Grantor/Pass-Through Grantor/Program Title	(2) Federal CFDA Number	Passed Through Subrecipients	(3) Expenditures Indirect Costs and Refunds
<u>United States Department of Agriculture:</u>					
<b>Passed Through the Texas Department of Agriculture:</b>					
71700701	240	School Breakfast Program	10.553	\$ -	\$ 7,532,451
71700701	240	National School Lunch Program	10.555	-	19,837,830
71700701	240	Commodities Supplemental Food Program	10.555	-	877,892
71700701	240	After-School Snack Program	10.555	-	158,526
71700701	240	Seamless Summer Feeding Option	10.555	-	528,235
N/A	240	Child and Adult Care Food Program	10.558	-	2,215,253
<b>Total United States Department of Agriculture</b>				-	<b>31,150,187</b>
<u>National Endowment for the Arts:</u>					
15-5100-7073	289	Austin Digital Media for All	45.024	-	(8,851)
16-5100-7127	289	Austin Digital Media for All	45.024	-	86,602
<b>Total National Endowment for the Arts</b>				-	<b>77,751</b>
<u>United States Department of Defense:</u>					
N/A	199	R.O.T.C.	12.000	-	240,666
<b>Total United States Department of Defense</b>				-	<b>240,666</b>
<u>Department of Housing and Urban Development:</u>					
<b>Passed Through the City of Austin:</b>					
NI13000010 Amendment 3	289	CDBG Teen Parent Child Care	14.218	-	39,352
N/A	289	CDBG Teen Parent Child Care	14.218	-	122,898
<b>Total Department of Housing and Urban Development</b>				-	<b>162,250</b>
<u>U.S. Department of Justice:</u>					
<b>Passed Through the Governor's Criminal Justice Division</b>					
2893701	289	Crisis Intervention	16.738	-	39,938
<b>Total U.S. Department of Justice</b>				-	<b>39,938</b>
<u>U.S. Department of Labor:</u>					
<b>Passed Through the Texas Education Agency:</b>					
173918017110003	289	2016-2018 Industry Cluster TWC-Adult	20.600	-	4,620
<b>Total U.S. Department of Labor</b>				-	<b>4,620</b>
<u>United States Department of Health and Human Services:</u>					
<b>Passed Through the Austin Community College:</b>					
1414AEL000	223	Adult Education / TANF	93.558	-	(3,156)
1416AEL006	223	Texas Adult Education and Literacy Programs / Federal TANF	93.558	-	111,999
Subtotal, Adult Basic Education				-	108,843
<b>Passed Through Child, Inc.:</b>					
N/A	205	Head Start Collaboration	93.600	-	(4,183)
06CH7108	205	Head Start Collaboration	93.600	-	1,228,129
Subtotal, Head Start Collaboration				-	1,223,946
1702TXRSOC	289	<b>Passed Through the U.S. Conference of Catholic Bishops Commission:</b> Refugee School Impact Discretionary Grant	93.566	-	68,207
529-15-0063-00006A	289	<b>Passed Through the Texas Health and Human Services Commission:</b> Refugee School Impact Discretionary Grant	93.576	-	32,816
529-07-0157-00112	199	<b>Passed Through the Texas Department of State Health Services:</b> Medicaid Administration	93.778	-	458,595
<b>Total U.S Department of Health and Human Services</b>				-	<b>1,892,407</b>

(Continued)

\*Grants awarded before December 26, 2014 and subject to Circular A-133.

**Austin Independent School District**

**Exhibit K-1 Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2017**

(1) Project Number	Data Control Codes	Federal Grantor/Pass-Through Grantor/Program Title	(2) Federal CFDA Number	Passed Through Subrecipients	(3) Expenditures Indirect Costs and Refunds
		<u>U.S. Department of Homeland Security</u> Passed Through the Texas Department of Public Safety			
PA-06-TX-4223-PW-02009	199	Disaster Grants—Public Assistance	97.036	\$ -	\$ 436,218
		<b>Total U.S Department of Homeland Security</b>		<b>-</b>	<b>436,218</b>
		<b>Total Federal Assistance</b>		<b>\$ -</b>	<b>\$ 86,786,961</b>

See notes to Schedule of Expenditure of Federal Awards

## Austin Independent School District

### Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

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#### **Note 1. General**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

#### **Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported using the current financial resources measurement focus basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

#### **Note 3. Noncash Federal Awards**

The District received noncash awards in the form of food commodities totaling \$877,892 for the year ended June 30, 2017.

#### **Note 4. Indirect Costs**

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

