

Austin Independent School District

Basic Financial Statements and
Independent Auditor's Report
With Accompanying Information

Ten Month Period Ended June 30, 2016

Austin Independent School District

Ten Months Ended June 30, 2016

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Austin Independent School District

Ten Months Ended June 30, 2016

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Introductory Section

Austin Independent School District

Certificate of Board

June 30, 2016

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 ten month period ended June 30, 2016 at a meeting of the Board of Trustees of such school district on the 28th day of November, 2016.



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)

Financial Section



Padgett Stratemann

Independent Auditor's Report

To the Board of Trustees
Austin Independent School District
Austin, Texas

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 the Austin Independent School District (the "District") as of and for the ten month period ended June 30, 2016, 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.

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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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the ten month period then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 3(C) to the financial statements, effective September 1, 2015, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 72, *Fair Value Measurement and Application*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to these matters.

As described in Note 1 to the financial statements, the District changed its fiscal year from a year end of August 31 to June 30 effective this reporting period. As such, the financial statements are presented for a ten month period of September 1, 2015 through June 30, 2016. Our opinion is not modified with respect to this matter.

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 15, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Padgett, Stratemann + Co., L.L.P.

Austin, Texas
November 15, 2016

Austin Independent School District

Management's Discussion and Analysis

June 30, 2016

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 ten month period ended June 30, 2016. 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 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 ten month period ended June 30, 2016. Net position was \$330.0 million. Net investment in capital assets was \$54.6 million. The District's restricted net position was \$129.7 million. Unrestricted net position was \$145.7 million.
- During the year, the District's expenses were \$92.5 million less than the \$1,236.5 million generated in taxes and other revenues for governmental activities. Expenditures totaled \$983.7 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 \$1,076.2 million.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$266.2 million, or 29% of the total general fund expenditures.
- The District issued \$24.1 million in bonds during the fiscal year 2015-2016, and ended the year with \$100.0 million outstanding in commercial paper.

Austin Independent School District

Management's Discussion and Analysis

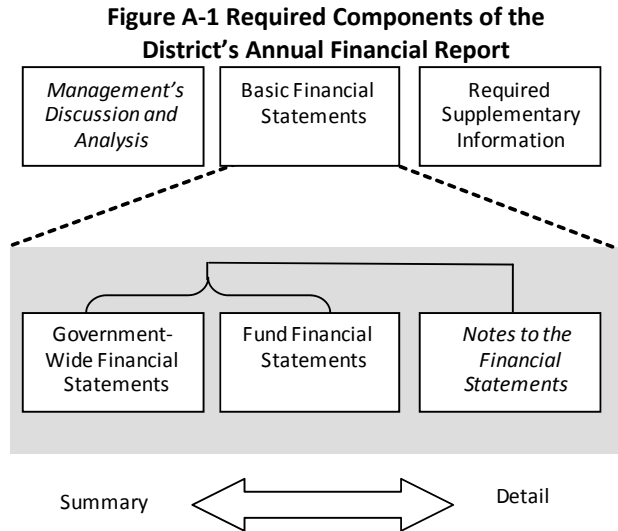
June 30, 2016

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.
- 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.



Austin Independent School District

Management’s Discussion and Analysis

June 30, 2016

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

| Type of Statement | Government-Wide | Governmental Funds | Fiduciary Funds |
|---|--|---|---|
| <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"> • Statement of net position • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> • Statement of fiduciary net position |
| <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, 2016

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.

Austin Independent School District

Management's Discussion and Analysis

June 30, 2016

- *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.
- *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 required by GASB Statement No. 68, as of June 30, 2016.

Austin Independent School District

Management's Discussion and Analysis

June 30, 2016

Financial Analysis of the District as a Whole

Net Position – The District's combined net position was approximately \$330.0 million at June 30, 2016. The following is a schedule of the District's net position:

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

| | <u>Governmental Activities</u> | | <u>Percentage Change</u> |
|---|--------------------------------|-----------------|------------------------------|
| | <u>2016</u> | <u>2015</u> | |
| Current and other assets | \$ 686.3 | \$ 432.6 | 59% |
| Capital assets | 965.3 | 952.6 | 1% |
| Total assets | <u>1,651.6</u> | <u>1,385.2</u> | 19% |
| Deferred loss on refunding | 8.2 | 8.7 | (6%) |
| Deferred outflow for TRS pension liability | 40.5 | 17.4 | 133% |
| Total deferred outflows of resources | <u>48.7</u> | <u>26.1</u> | 87% |
| Current liabilities | 402.5 | 241.9 | 66% |
| Long-term liabilities | 919.2 | 900.6 | 2% |
| Total liabilities | <u>1,321.7</u> | <u>1,142.5</u> | 16% |
| Deferred inflow for TRS pension liability | 48.7 | 31.3 | 56% |
| Total deferred inflows of resources | <u>48.7</u> | <u>31.3</u> | 56% |
| Net position: | | | |
| Net investment in capital assets | 54.6 | 141.5 | (61%) |
| Restricted | 129.7 | 52.7 | 146% |
| Unrestricted | 145.7 | 43.3 | 236% |
| Total net position | <u>\$ 330.0</u> | <u>\$ 237.5</u> | 39% |

Austin Independent School District

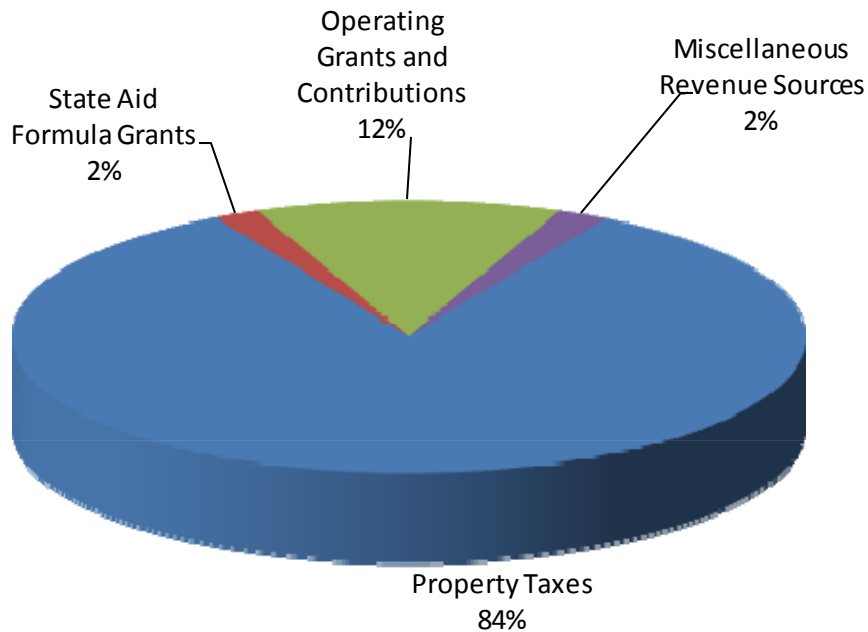
Management's Discussion and Analysis

June 30, 2016

Changes in Net Position

The District's total revenues were \$1,236.5 million. A significant portion, 84%, of the District's revenue comes from taxes; 2% comes from state aid formula grants, while 12% is related to other operating grants and contributions; the remaining 2% comes from miscellaneous revenue sources (see Figure A-3 below).

**Figure A-3
Sources of Revenues for Fiscal Year 2016**



The total cost of all programs was \$1,144.0 million and \$1,129.8 million for the ten month period ended June 30, 2016 and year ended August 31, 2015, respectively. When adjusted for the \$268.8 million in expenses in 2016 and \$183.6 million in expenses in 2015 related to Chapter 41 and other pass-through costs, 73.3% and 72.1%, respectively, of these costs are for instructional and student services.

The total of all program and service costs for school leadership was 5.4% in 2016 and 6.4% in 2015, and 7.2% and 9.1% in 2016 and 2015, respectively, for plant maintenance and operations (including security services).

Austin Independent School District

Management's Discussion and Analysis

June 30, 2016

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

| | <u>Governmental Activities</u> | | <u>Percentage Change</u> |
|--|--------------------------------|---------------------|------------------------------|
| | <u>2016</u> | <u>2015</u> | |
| Revenues | | | |
| Program revenues: | | | |
| Charges for services | \$ 6.2 | \$ 6.2 | 1% |
| Operating grants and contributions | 154.0 | 167.1 | (8%) |
| General revenues: | | | |
| Property taxes | 1,033.7 | 921.2 | 12% |
| State aid – formula | 22.9 | 34.1 | (33%) |
| Investment earnings | 2.1 | 0.8 | 165% |
| Other | <u>17.5</u> | <u>17.6</u> | (1%) |
| Total revenues | <u>1,236.5</u> | <u>1,147.0</u> | 8% |
| Expenses | | | |
| Instruction and instructional related | 487.0 | 505.5 | (4%) |
| Instructional resources and media related | 12.3 | 13.8 | (11%) |
| Curriculum and staff development | 19.9 | 30.4 | (35%) |
| Instructional leadership | 13.2 | 16.8 | (21%) |
| School leadership | 48.8 | 55.6 | (12%) |
| Guidance, counseling, and evaluation services | 23.1 | 26.9 | (14%) |
| Social work services | 5.1 | 5.0 | 2% |
| Health services | 6.9 | 6.8 | 2% |
| Student transportation | 31.5 | 33.6 | (6%) |
| Food services | 39.0 | 42.6 | (8%) |
| Extracurricular activities | 16.7 | 17.9 | (7%) |
| General administration | 16.8 | 19.1 | (12%) |
| Plant maintenance and operations | 73.2 | 93.2 | (21%) |
| Security and monitoring services | 9.6 | 10.0 | (4%) |
| Data processing services | 18.5 | 19.9 | (7%) |
| Community services | 15.7 | 17.6 | (11%) |
| Debt service | 31.3 | 25.0 | 25% |
| Payments to fiscal agent/member districts – shared service | 268.8 | 183.6 | 46% |
| Other governmental charges | 5.7 | 5.3 | 8% |
| Depreciation – exclusive of functional amounts | <u>0.9</u> | <u>1.2</u> | (23%) |
| Total expenses | <u>1,144.0</u> | <u>1,129.8</u> | 1% |
| Change in net position | 92.5 | 17.2 | 438% |
| Net position at beginning of period | <u>237.5</u> | <u>220.3</u> | 8% |
| Net position at end of period | <u><u>330.0</u></u> | <u><u>237.5</u></u> | 39% |

Austin Independent School District

Management’s Discussion and Analysis

June 30, 2016

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 2016 was \$1,144.0 million and, in 2015, was \$1,129.8 million.
- However, the amount the District’s taxpayers paid for these activities through property taxes was only \$1,033.7 million in 2016 and \$921.2 million in 2015.
- Those who directly benefited paid some costs of the programs (\$6.2 million in 2016 and \$6.2 million in 2015), with grants and contributions (\$154.0 million in 2016 and \$167.1 million in 2015) sharing the load.

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

| | <u>Total Cost of Services</u> | | <u>Percentage Change</u> | <u>Net Cost of Services</u> | | <u>Percentage Change</u> |
|----------------------------------|-------------------------------|-------------|--------------------------|-----------------------------|-------------|--------------------------|
| | <u>2016</u> | <u>2015</u> | | <u>2016</u> | <u>2015</u> | |
| Instruction | \$ 519.1 | \$ 549.7 | (6%) | \$ 445.6 | \$ 466.7 | (5%) |
| School leadership | 62.0 | 72.3 | (14%) | 55.4 | 64.6 | (14%) |
| Plant maintenance and operations | 73.2 | 93.2 | (21%) | 71.5 | 91.5 | (22%) |

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 \$347.4 million. Approximately 77% percent of this total amount (\$266.2 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.

Austin Independent School District

Management's Discussion and Analysis

June 30, 2016

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 \$292.3 million. Of this amount, \$24.6 million is assigned for various projects, and \$1.4 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 31% of total fund expenditures. The fund balance increased by \$74.5 million during the current fiscal year period.

The Debt Service Fund had an increase in fund balance of \$89.5 million during the current year to bring the year end fund balance to \$137.7 million. The increase is primarily the result of the timing of principal and interest payments from 2015 to 2016 due to the change in the fiscal year end. Approximately \$85.3 million in principal and interest payments are due on August 1, 2016.

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 a negative \$91.2 million, due to outstanding payables related to construction costs of \$9.5 million and \$100.0 million in outstanding commercial paper. The District finances construction costs with commercial paper until bonded debt is issued at a later date.

General Fund Budgetary Highlights (See Exhibit G-1)

Differences between the final general operating fund budget and the actual amounts are explained as follows:

Revenues

- An unfavorable 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 \$271,525, or 0.03% lower than anticipated.
 - State revenue including the Foundation School Program and TRS on behalf payments were almost \$2.4 million less than anticipated.
 - Federal and grant indirect cost earnings was \$19,271 less than anticipated.

Expenditures

- A net favorable variance of almost \$21.4 million in expenditures was due to the following variances:
 - Employee payroll, payroll taxes, and benefits, including the related TRS on behalf payment, were \$10.2 million less than budgeted.
 - Professional and contracted services were \$10.4 million less than estimated.
 - The District spent \$1.7 million less on supplies and materials than budgeted. This includes software, equipment, and general supplies.
 - The District spent \$0.1 million less on other operating costs. This includes employee travel and insurance and bonding costs.
 - The District spent \$1.1 million more on capital outlay for buildings and equipment than budgeted.
 - Other areas of unspent items that were spread across the remaining accounts not covered above, totaling \$0.1 million.

Austin Independent School District

Management's Discussion and Analysis

June 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested \$965.3 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)

| | <u>Governmental Activities</u> | | <u>Percentage Change</u> |
|----------------------------------|--------------------------------|-----------------|--------------------------|
| | <u>2016</u> | <u>2015</u> | |
| Land | \$ 70.7 | \$ 70.7 | (0%) |
| Buildings and improvements | 864.0 | 858.7 | 1% |
| Furniture fixtures and equipment | <u>30.6</u> | <u>23.2</u> | 32% |
| | <u>\$ 965.3</u> | <u>\$ 952.6</u> | 1% |

During the District's fiscal year 2015-2016, capital spending totaled \$63.5 million in building and improvements and capital equipment. At June 30, 2016, the District is committed under contracts in the amount of approximately \$11.2 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, 2016, the District had \$879.5 million in long-term debt outstanding, as shown in Table A-5 (on the following page). 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 with Sumitomo Mitsui Banking Corporation and 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 \$100.0 million in Commercial Paper outstanding in the Capital Projects Fund as of June 30, 2016.

Austin Independent School District

Management’s Discussion and Analysis

June 30, 2016

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

| | Governmental Activities | | Percentage Change |
|--------------------------|-------------------------|----------|----------------------|
| | 2016 | 2015 | |
| Bonds payable | \$ 876.2 | \$ 856.9 | 2% |
| Notes and leases payable | 3.3 | 3.6 | (7%) |
| | \$ 879.5 | \$ 860.5 | 2% |

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

Assessed values for the 2015-16 school year were \$81.3 billion as of August 24, 2015, an increase of 14.7% from the previous year. The values for the 2016-17 school year, as of July 18, 2016, were at \$93.8 billion, an increase of 15.4% from 2015-16. The first six week’s enrollment for 2016-17 was 83,238 a decrease of 0.6% from 2015-16. Funding from the state is based on Average Daily Attendance (“ADA”). ADA for 2015-16 was 76,454, a decrease of 905, or 1.1% from the prior year. For 2016-17, the District projects an estimated ADA of 75,645 which represents a 1.0% decrease from the 2015-16 school year.

The actual cost per student for 2015-16 was \$7,904 and the projected estimated cost per student for 2016-17 is \$9,084. The cost per student for 2015-16 was calculated by dividing the total General Fund actual expenditures, net of Chapter 41 payments, with the actual student enrollment. The cost per student for 2016-17 was calculated by dividing the total General Fund adopted budget, net of Chapter 41 payments, with budgeted enrollment. The increase in the cost per student from 2015-16 to 2016-17 is attributed to a combination of increases in the General Fund budget (driven largely by the \$20 million salary increase and a 10-month to 12-month fiscal year) combined with decreases in student enrollment.

Increases

- A 4% pensionable increase over the District’s fiscal year 2015-16 annualized salary for fiscal year 2016-17. (\$20.0 million).
 - Begin accruing for the Professional Pathway for Teachers compensation plan (\$3.0 million).
 - Increase the districts minimum wage to \$13 per hour for regular employees (1.2 million).
- Increase to meet statutorily required or contractually obligated programs (\$3.4 million).
- Baseline increases, including audit fees, election fees, insurance and bonding costs, and tax collection and appraisal fees, utilities, CALT program, software for asset management and the state TRS matching contribution (\$3 million). Increase in Chapter 41 payment estimate (\$133.3 million).

Austin Independent School District

Management's Discussion and Analysis

June 30, 2016

- Expand the GPS Software for Viewing Bus Arrivals (\$75,000).
- UIL Mandated Rate Increase (\$75,000).
- Expand campus based technology team from 5 FTEs to 25 FTEs (\$1.1 million)
- Expand dyslexia evaluation to all students suspected of having dyslexia - Mandated (3.0 FTEs) (\$198,429).
- Increase to meet the National Fire Alarm and Signaling Code (NFPA 72) (\$205,848).
- Increase for Career and Technology Education to meet compliance standards (\$450,000).
- Health and physical education (\$10,000).

Decreases

- Reduction of payroll costs resulting from decrease in enrollment (\$3.9 million).
- FTE/CAC/Campus Non-Classroom Positions (\$1.5 million).
- Strategic Compensation Initiative (\$1.0 million).
- Savings for custodial services including evening schedules net of night differential and others (\$615,840).
- Curriculum Writing Cadre Reduction (\$298,046).

At the end of the 2015-16 school year, the District had an increase of \$74.5 million in the General Fund balance, bringing the District's fund balance from \$217.7 million to \$292.2 million as of June 30, 2016. Of this amount, \$1.4 million is nonspendable, \$24.6 million is assigned, and \$266.2 million is unassigned. For the 2016-20 school year, General Fund revenues are projected to increase approximately 14.6% and expenditures are projected to increase 24.7%. The District anticipates having a surplus of revenues over expenditures by \$3.8 million at the end of the 2016-17 school year. For the 2015-16 and 2016-17 school years, recapture payments totaled \$266.1 million and estimated at \$406.1 million, respectively. The District's maintenance and operation tax rate is \$1.079 per hundred dollars of assessed value for 2015-16 and remained the same for the 2016-17 school year.

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, 2016

| Data Control Codes | | Governmental Activities |
|---------------------------------------|---|----------------------------|
| Assets | | |
| 1110 | Cash, cash equivalents, and temporary investments | \$ 648,034,542 |
| 1225 | Property taxes receivable – net | 10,064,258 |
| 1240 | Due from other governments | 22,065,465 |
| 1260 | Receivables from external parties | 734,055 |
| 1290 | Other receivables – net | 1,408,175 |
| 1310 | Inventories | 3,135,187 |
| 1410 | Prepays and other assets | 867,684 |
| | Capital assets: | |
| 1510 | Land | 70,698,102 |
| 1520 | Buildings and improvements – net | 796,770,591 |
| 1530 | Furniture and equipment – net | 30,587,808 |
| 1580 | Construction in progress | 67,277,451 |
| 1000 | Total assets | 1,651,643,318 |
| Deferred Outflows of Resources | | |
| 1701 | Deferred loss on refunding | 8,187,123 |
| 1705 | Deferred outflow for TRS pension liability | 40,492,247 |
| | Total deferred outflows of resources | 48,679,370 |
| Liabilities | | |
| 2110 | Accounts payable | 34,077,891 |
| 2120 | Commercial paper | 100,000,000 |
| 2150 | Payroll deductions and withholdings | 13,523,229 |
| 2160 | Accrued wages payable | 34,485,414 |
| 2170 | Payables to external parties | 5,201 |
| 2180 | Due to other governments | 120,697,714 |
| 2200 | Accrued expenses | 15,151,923 |
| 2300 | Unearned revenues | 1,229,319 |
| | Noncurrent liabilities: | |
| 2400 | Due within one year | 83,320,812 |
| 2500 | Due in more than one year | 810,253,615 |
| 2500 | Net pension liability – District’s share | 108,918,334 |
| 2000 | Total liabilities | 1,321,663,452 |
| Deferred Inflows of Resources | | |
| 2605 | Deferred inflow for TRS pension liability | 48,680,273 |
| | Total deferred inflows of resources | 48,680,273 |
| Net Position | | |
| 3200 | Net investment in capital assets | 54,626,903 |
| 3800 | Restricted for: | |
| | Retirement of long-term debt | 123,562,109 |
| | Federal and state funds grants | 6,108,396 |
| 3900 | Unrestricted | 145,681,555 |
| 3000 | Total net position | \$ 329,978,963 |

The accompanying notes are an integral part of this statement.

Austin Independent School District

Exhibit B-1 Statement of Activities

Ten Month Period Ended June 30, 2016

| Data Control Codes | Functions/Programs | 1 | 3 | 4 | Net (Expense) Revenue and Changes in Net Position |
|--------------------|--|-------------------------|----------------------|------------------------------------|---|
| | | Program Revenues | | | Governmental Activities |
| | | Expenses | Charges for Services | Operating Grants and Contributions | |
| | Government activities: | | | | |
| 11 | Instruction | \$ 486,966,128 | \$ 1,520,028 | \$ 60,547,241 | \$ (424,898,859) |
| 12 | Instructional resources and media services | 12,266,216 | - | 727,312 | (11,538,904) |
| 13 | Curriculum and instructional staff development | 19,909,135 | - | 10,785,072 | (9,124,063) |
| 21 | Instructional leadership | 13,194,751 | - | 2,376,643 | (10,818,108) |
| 23 | School leadership | 48,755,251 | - | 4,189,383 | (44,565,868) |
| 31 | Guidance, counseling, and evaluation services | 23,110,375 | - | 3,202,424 | (19,907,951) |
| 32 | Social work services | 5,091,628 | - | 516,315 | (4,575,313) |
| 33 | Health services | 6,942,633 | - | 23,616,131 | 16,673,498 |
| 34 | Student (pupil) transportation | 31,507,346 | - | 1,010,876 | (30,496,470) |
| 35 | Food services | 39,032,345 | - | 35,988,103 | (3,044,242) |
| 36 | Curricular/extracurricular activities | 16,651,563 | 701,194 | 512,426 | (15,437,943) |
| 41 | General administration | 16,813,369 | 1,558,250 | 1,069,277 | (14,185,842) |
| 51 | Plant maintenance and operations | 73,162,057 | - | 1,626,718 | (71,535,339) |
| 52 | Security and monitoring services | 9,625,064 | - | 421,421 | (9,203,643) |
| 53 | Data processing services | 18,519,875 | - | 1,231,774 | (17,288,101) |
| 61 | Community services | 15,746,363 | 2,454,839 | 6,218,455 | (7,073,069) |
| 71 | Interest on long-term debt | 31,280,410 | - | - | (31,280,410) |
| 91 | Contracted instructional services between schools | 266,073,630 | - | - | (266,073,630) |
| 93 | Payments related to shared services arrangements | 2,701,947 | - | - | (2,701,947) |
| 99 | Other intergovernmental charges | 5,721,415 | - | - | (5,721,415) |
| 99 | Depreciation – exclusive of functional amounts | 928,450 | - | - | (928,450) |
| TG | Total governmental activities | <u>1,143,999,951</u> | <u>6,234,311</u> | <u>154,039,571</u> | <u>(983,726,069)</u> |
| TP | Total primary government | <u>\$ 1,143,999,951</u> | <u>\$ 6,234,311</u> | <u>\$ 154,039,571</u> | <u>(983,726,069)</u> |
| | General revenues: | | | | |
| MT | Property taxes – levied for general purposes | | | | 927,959,364 |
| DT | Property taxes – levied for debt service | | | | 105,731,761 |
| SF | State aid – formula grants | | | | 22,888,895 |
| GC | Grants and contributions not restricted to specific programs | | | | 3,123,055 |
| IE | Investment earnings | | | | 2,121,188 |
| MI | Miscellaneous | | | | 14,379,956 |
| TG | Total general revenues | | | | <u>1,076,204,219</u> |
| CN | Change in net position | | | | 92,478,150 |
| NB | Net position at beginning of period | | | | <u>237,500,813</u> |
| NE | Net position at end of period | | | | <u>\$ 329,978,963</u> |

The accompanying notes are an integral part of this statement.

Austin Independent School District

Exhibit C-1 Balance Sheet – Governmental Funds

June 30, 2016

| Data Control Codes | General Fund | Debt Service Fund | Capital Projects Funds | Nonmajor Governmental Funds | Total Governmental Funds | |
|--------------------------------------|--|-----------------------|------------------------|-----------------------------|--------------------------|-----------------------|
| Assets | | | | | | |
| 1110 | Cash, cash equivalents, and temporary investments | \$ 447,814,100 | \$ 137,727,961 | \$ 23,137,226 | \$ 13,679,420 | \$ 622,358,707 |
| 1220 | Property taxes – delinquent | 33,782,285 | 4,783,541 | - | - | 38,565,826 |
| 1230 | Allowance for uncollectible taxes | (24,808,165) | (3,693,403) | - | - | (28,501,568) |
| 1240 | Due from other governments | 4,909,232 | - | - | 17,156,233 | 22,065,465 |
| 1260 | Due from other funds | 15,041,910 | 34,206 | 208,980 | 16,349 | 15,301,445 |
| 1290 | Other receivables | 704,743 | 6,611 | - | 696,701 | 1,408,055 |
| 1300 | Inventories | 513,043 | - | - | 2,546,480 | 3,059,523 |
| 1410 | Prepays and other assets | 867,684 | - | - | - | 867,684 |
| 1000 | Total assets | <u>\$ 478,824,832</u> | <u>\$ 138,858,916</u> | <u>\$ 23,346,206</u> | <u>\$ 34,095,183</u> | <u>\$ 675,125,137</u> |
| Liabilities | | | | | | |
| 2110 | Accounts payable | \$ 19,785,948 | \$ 14,167 | \$ 9,470,550 | \$ 4,773,750 | \$ 34,044,415 |
| 2120 | Loans payable | - | - | 100,000,000 | - | 100,000,000 |
| 2150 | Payroll deductions and withholdings | 13,523,229 | - | - | - | 13,523,229 |
| 2160 | Accrued wages payable | 29,718,552 | - | 11,379 | 3,533,326 | 33,263,257 |
| 2170 | Due to other funds | 81,846 | 130,640 | 5,073,809 | 10,080,214 | 15,366,509 |
| 2180 | Due to other governments | 114,758,835 | - | - | 5,938,879 | 120,697,714 |
| 2300 | Unearned revenues | 115,104 | 77 | - | 1,114,138 | 1,229,319 |
| 2000 | Total liabilities | <u>177,983,514</u> | <u>144,884</u> | <u>114,555,738</u> | <u>25,440,307</u> | <u>318,124,443</u> |
| Deferred inflows of resources | | | | | | |
| 2600 | Unavailable revenue – property taxes | 8,574,300 | 1,043,092 | - | - | 9,617,392 |
| | Total deferred inflows of resources | <u>8,574,300</u> | <u>1,043,092</u> | <u>-</u> | <u>-</u> | <u>9,617,392</u> |
| Fund Balances | | | | | | |
| 3410 | Nonspendable | 1,380,727 | - | - | 2,546,480 | 3,927,207 |
| 3490 | Restricted | - | 137,670,940 | - | 6,108,396 | 143,779,336 |
| 3500 | Assigned | 24,643,922 | - | - | - | 24,643,922 |
| 3600 | Unassigned | 266,242,369 | - | (91,209,532) | - | 175,032,837 |
| 3000 | Total fund balances | <u>292,267,018</u> | <u>137,670,940</u> | <u>(91,209,532)</u> | <u>8,654,876</u> | <u>347,383,302</u> |
| 4000 | Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 478,824,832</u> | <u>\$ 138,858,916</u> | <u>\$ 23,346,206</u> | <u>\$ 34,095,183</u> | <u>\$ 675,125,137</u> |

The accompanying notes are an integral part of this statement.

Austin Independent School District

Exhibit C-2 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2016

Total fund balances – Governmental Funds balance sheet \$ 347,383,302

Amounts reported for governmental activities in the statement of net position (Exhibit A-1) are different because:

| Data Control Codes | | |
|--------------------|--|------------------------------|
| 1 | Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 965,333,952 |
| 2 | Amount of interest on debt payable in August is required to be recognized in the statement of net position. | (15,151,923) |
| 3 | Revenue in governmental activities is recognized in the period earned. | 9,617,392 |
| 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. | 12,428,609 |
| 5 | Bonds and loans payable are not due and payable in the current period and, therefore, are not reported in the funds. | (879,500,455) |
| 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. | (1,212,677) |
| 7 | Unamortized loss on bond refunding in governmental activities, not reported in the governmental funds | 8,187,123 |
| 8 | Recognition of the District's proportionate share of the net pension liability required by GASB Statement. No 68 (\$108,918,334), a deferred inflow of resources (\$48,680,273), and a deferred outflow of resources (\$40,492,247). | <u>(117,106,360)</u> |
| 19 | Net position of governmental activities | <u><u>\$ 329,978,963</u></u> |

The accompanying notes are an integral part of this statement.

Austin Independent School District

Exhibit C-3

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Ten Month Period Ended June 30, 2016

| Data Control Codes | General Fund | Debt Service Fund | Capital Projects Funds | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|-----------------------|------------------------|-----------------------------|--------------------------|
| Revenues | | | | | |
| 5700 | Local and intermediate sources | \$ 935,923,424 | \$ 106,248,492 | \$ 66,987 | \$ 1,058,625,656 |
| 5800 | State program revenues | 50,329,570 | 1,502,682 | - | 56,575,322 |
| 5900 | Federal program revenues | 26,554,292 | 458,761 | - | 116,420,090 |
| 5020 | Total revenues | <u>1,012,807,286</u> | <u>108,209,935</u> | <u>66,987</u> | <u>1,231,621,068</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| 0011 | Instruction | 389,399,804 | - | - | 41,123,981 |
| 0012 | Instructional resources and media services | 9,543,853 | - | - | 389,441 |
| 0013 | Curriculum and instructional staff development | 9,035,047 | - | - | 10,747,149 |
| 0021 | Instructional leadership | 10,941,590 | - | - | 2,153,219 |
| 0023 | School leadership | 43,574,984 | - | - | 2,275,783 |
| 0031 | Guidance, counseling, and evaluation services | 20,177,938 | - | - | 2,404,634 |
| 0032 | Social work services | 4,614,858 | - | - | 417,517 |
| 0033 | Health services | 6,225,201 | - | - | 446,192 |
| 0034 | Student (pupil) transportation | 28,318,982 | - | 340,260 | - |
| 0035 | Food services | - | - | - | 35,398,826 |
| 0036 | Curricular/extracurricular activities | 14,274,409 | - | - | 128,202 |
| 0041 | General administration | 15,309,497 | - | - | 587,870 |
| 0051 | Plant maintenance and operations | 69,700,769 | - | 3,577,398 | 265,583 |
| 0052 | Security and monitoring services | 9,183,864 | - | - | 21,003 |
| 0053 | Data processing services | 16,751,523 | - | 2,285,296 | 857,681 |
| 0061 | Community services | 4,404,619 | - | - | 11,496,722 |
| 0071 | Principal on long-term debt | 289,052 | 152,633 | - | - |
| 0072 | Interest on long-term debt | 82,968 | 17,954,056 | - | - |
| 0073 | Bond issuance costs and fees | - | 601,922 | - | - |
| 0081 | Capital outlay | 1,957,830 | - | 72,107,920 | 923,911 |
| 0091 | Contracted instructional services between schools | 266,073,630 | - | - | - |
| 0093 | Payments related to shared services arrangements | 2,701,947 | - | - | - |
| 0099 | Other intergovernmental charges | 5,721,415 | - | - | - |
| 6030 | Total expenditures | <u>928,283,780</u> | <u>18,708,611</u> | <u>78,310,874</u> | <u>109,637,714</u> |
| 1100 | Excess (deficiency) of revenues over (under) expenditures | <u>84,523,506</u> | <u>89,501,324</u> | <u>(78,243,887)</u> | <u>899,146</u> |
| Other Financing Sources and (Uses) | | | | | |
| 7911 | Capital-related debt issued (regular bonds) | - | 24,078,000 | - | - |
| 7912 | Sales of real or personal property | 20,584 | - | - | - |
| 7915 | Transfers in | - | - | 24,078,000 | - |
| 8911 | Transfers out | (10,000,000) | (24,078,000) | - | - |
| 7080 | Total other financing sources and (uses) | <u>(9,979,416)</u> | <u>-</u> | <u>24,078,000</u> | <u>-</u> |
| 1200 | Net change in fund balances | 74,544,090 | 89,501,324 | (54,165,887) | 899,146 |
| 0100 | Fund balances at beginning of period | <u>217,722,928</u> | <u>48,169,616</u> | <u>(37,043,645)</u> | <u>7,755,730</u> |
| 3000 | Fund balances at end of period | <u>\$ 292,267,018</u> | <u>\$ 137,670,940</u> | <u>\$ (91,209,532)</u> | <u>\$ 8,654,876</u> |
| | | <u>\$ 347,383,302</u> | | | |

The accompanying notes are an integral part of this statement.

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

Ten Month Period Ended June 30, 2016

| | |
|---|----------------------|
| Net change in fund balances – total Governmental Funds | \$ 110,778,673 |
| 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 (\$63,542,509) exceeded depreciation expense (\$50,749,522) and net asset removal (\$66,045) in the current period. | 12,726,942 |
| 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 (\$441,686) were exceeded by debt and loan proceeds (\$24,078,000). | (23,636,314) |
| 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 (\$0) was exceeded by amortization (\$4,648,145). | 4,648,145 |
| 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. | (12,159,869) |
| 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 2016 and 2015. | (481,600) |
| 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 2016 and 2015, as well as amounts from 2015 received and earned in 2016. | 1,668,779 |
| 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 (\$9,952,468), plus transfers in (\$10,000,000). | 47,532 |
| 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 2016 and 2015. | (199,873) |
| GASB Statement No. 68 requires that certain expenditures be de-expended and recorded as deferred resources. This is the amount by which pension expense (\$14,092,021) and amortization of prior year deferred inflows and outflows of resources (\$1,622,747) exceeded the prior year contributions (\$9,123,735) and additional deferred items recognized in the current year (\$5,676,768). | <u>(914,265)</u> |
| Change in net position of governmental activities – statement of activities | <u>\$ 92,478,150</u> |

The accompanying notes are an integral part of this statement.

Austin Independent School District

Exhibit D-1 Statement of Net Position – Proprietary Funds

June 30, 2016

| <u>Data Control Codes</u> | <u>Governmental Activities – Internal Service Fund</u> |
|--|--|
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 628,160 |
| Temporary investments | 25,047,675 |
| Due from other funds | 796,994 |
| Other receivable | 120 |
| Inventories | <u>75,664</u> |
| Total current assets | <u>26,548,613</u> |
| 1000 Total assets | \$ <u>26,548,613</u> |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | \$ 33,476 |
| Accrued expenditures | 9,480 |
| Due to other funds | 3,076 |
| Claims payable – due within one year | <u>10,512,872</u> |
| Total current liabilities | <u>10,558,904</u> |
| Noncurrent liabilities: | |
| Claims payable – due in more than one year | <u>3,561,100</u> |
| 2000 Total liabilities | <u>14,120,004</u> |
| | <u>12,428,609</u> |
| 3000 Total net position | \$ <u><u>12,428,609</u></u> |

The accompanying notes are an integral part of this statement.

Austin Independent School District

Exhibit D-2 Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds

Ten Month Period Ended June 30, 2016

| <u>Data Control Codes</u> | | <u>Governmental Activities – Internal Service Fund</u> |
|-----------------------------------|-------------------------------------|--|
| | Operating Revenues | |
| 5700 | Local and intermediate sources | \$ <u>62,809,527</u> |
| | Total revenues | <u>62,809,527</u> |
| | Operating Expenses | |
| 6400 | Other operating expenses | <u>72,836,390</u> |
| 6030 | Total expenses | <u>72,836,390</u> |
| | Operating loss | (10,026,863) |
| | Nonoperating Revenues | |
| | Investment earnings and other | <u>74,395</u> |
| | Total nonoperating revenues | <u>74,395</u> |
| | Loss before transfers | (9,952,468) |
| 7915 | Transfers in | 10,000,000 |
| | Change in net position | <u>47,532</u> |
| 0100 | Net position at beginning of period | <u>12,381,077</u> |
| 3300 | Net position at end of period | \$ <u><u>12,428,609</u></u> |

The accompanying notes are an integral part of this statement.

Austin Independent School District

Exhibit D-3 Statement of Cash Flows – Proprietary Funds

Ten Month Period Ended June 30, 2016

| | <u>Governmental Activities – Internal Service Fund</u> |
|--|---|
| Cash Flows From Operating Activities | |
| Payments to suppliers | \$ (4,219,206) |
| Payments to employee salaries and benefits | (1,396,687) |
| Payments from other funds | 64,690,980 |
| Claims paid | <u>(66,916,188)</u> |
| Net cash used in operating activities | <u>(7,841,101)</u> |
| Cash Flows From Noncapital Financing | |
| Transfers from other funds | <u>10,000,000</u> |
| Net cash provided by noncapital financing | <u>10,000,000</u> |
| Cash Flows From Investing Activities | |
| Proceeds from sales and maturities of investments | 62,247,193 |
| Outlays for purchase of investments | (64,379,282) |
| Interest income | <u>74,395</u> |
| Net cash used in investing activities | <u>(2,057,694)</u> |
| Net increase in cash and cash equivalents | 101,205 |
| Cash and cash equivalents at beginning of period | <u>526,955</u> |
| Cash and cash equivalents at end of period | <u>\$ 628,160</u> |
| Reconciliation of Operating Loss to Net Cash Used In Operating Activities | |
| Operating loss | \$ (10,026,863) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Changes in: | |
| Decrease in due from other funds | 4,790,300 |
| Decrease in inventory | 12,301 |
| Decrease in other assets | 212,920 |
| Decrease in accounts payable and accrued expenditures | (603,413) |
| Decrease in due to other funds | (2,908,847) |
| Increase in claims payable | <u>682,501</u> |
| Net cash used in operating activities | <u>\$ (7,841,101)</u> |

The accompanying notes are an integral part of this statement.

Austin Independent School District

Exhibit E-1

Statement of Fiduciary Assets and Liabilities – Fiduciary Funds

June 30, 2016

| <u>Data Control Codes</u> | | <u>Agency Funds</u> |
|-----------------------------------|---------------------------|-----------------------------|
| | Assets | |
| 1110 | Cash and cash equivalents | \$ 6,401,857 |
| | Temporary investments | 6,733,888 |
| | Due from other funds | 5,201 |
| | Other receivables | <u>17,263</u> |
| 1000 | Total assets | \$ <u><u>13,158,209</u></u> |
| | Liabilities | |
| | Accounts payable | \$ 585,964 |
| | Due to other governments | 3,486,348 |
| | Due to other funds | 734,055 |
| 2190 | Due to student groups | 8,335,562 |
| | Other liabilities | <u>16,280</u> |
| 2000 | Total liabilities | \$ <u><u>13,158,209</u></u> |

The accompanying notes are an integral part of this statement.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

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 with the reporting entity. The District is a governmental entity exempt from federal income taxation under Internal Revenue Code Section 115.

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 financial statements are presented for a ten-month period of September 1, 2015 through June 30, 2016.

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. Program revenues include charges to customers and grants used for operational requirements. 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 unallocated 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.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

2. Government-Wide and Fund Financial Statements (continued)

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.

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.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

3. Summary of Significant Accounting Policies (continued)

A. Fund Accounting (continued)

Governmental Fund Types (continued)

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: child care operations, food concessions, scholarships, and food service operations. 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.

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 Services. Revenues are generated in the Internal Service Fund through charges to various funds of the District. Expenses result from the administration and funding of District workers' compensation and health 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 on a "spending" or "financial flow" 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.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

3. Summary of Significant Accounting Policies (continued)

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, state aid, and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider are met and qualifying expenditures have been incurred.

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 the related program expenditures are incurred and all eligibility requirements have been met, except in the Food Service Special Revenue Fund where revenue recognized is based on the number of students served. 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, local food service revenue, and miscellaneous revenues are recognized when measurable and available.

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.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

3. Summary of Significant Accounting Policies (continued)

C. Basis of Accounting (continued)

- 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 for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources. When expenditures are incurred for which assigned or unassigned fund balances are available, the District considers amounts to have been spent out of assigned funds and then unassigned, as needed, unless the District's Board has provided otherwise in its assignment actions.

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. Amounts reported as program revenues include operating grants and contributions, food service user charges, and other charges. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

3. Summary of Significant Accounting Policies (continued)

C. Basis of Accounting (continued)

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 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 and workers' compensation claims and administrative charges. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Effective September 1, 2015, the District implemented GASB Statement No. 72, *Fair Value Measurement and Application* (Statement No. 72), and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* (Statement No. 79). Statement No. 72 addresses the accounting and reporting issues related to fair value measurements. Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The adoption of these standards did not have a significant 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 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 mutual funds. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments. The District's policy is to report local government investment pools, Securities and Exchange Commission ("SEC") registered money market mutual funds, and repurchase agreements at amortized cost based on published net asset values ("NAV") per share. The District carries investments in debt securities at fair value using other observable significant inputs including but not limited to quoted prices for similar securities, interest rates, prepayment speeds, and credit risk.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

3. Summary of Significant Accounting Policies (continued)

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 inventory is recorded as unearned revenue at year-end. Revenue is recognized when the commodities are distributed to the schools. Donated commodities in inventory at June 30, 2016 totaled \$955,528.

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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of 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:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|---------------------------------|-------------------------------|
| 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 the Basic Financial Statements

June 30, 2016

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 pay for regular employees for all vacation earned as of June 30, 2016. The District allows unused vacation days to carry over through December 31.

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 and workers' compensation, including employee health benefits and employee life and dental and accident insurance.

During the ten month period ended June 30, 2016, 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.

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.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

3. Summary of Significant Accounting Policies (continued)

J. Risk Management (continued)

The District is self-insured up to \$500,000 per occurrence for losses related to workers' compensation. The District has purchased excess coverage through a commercial insurer licensed in the state of Texas.

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, 2016 that were subsequently provided for in the 2017 budget as July and August amendments for Board approval totaled \$29,799,999 in the General Fund, \$67,191,142 in the Capital Projects Fund, and \$9,682,446 in the Nonmajor Fund.

L. Fund Balance

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.

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 grant revenues.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

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 use of management's estimates.

Q. Prepaid 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, thus creating a "prepaid" in wages payable at June 30, which is classified in Data Control Code 1410 – prepaids and other assets.

R. 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 uncollected property taxes, less the allowance for doubtful accounts.

S. Deferred Resources Related to 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.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

4. Deposits and Investments

Deposits

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, 2016, 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, 2016, the District had a general ledger balance of (\$9,673,872), excluding student activity fund balances of \$6,401,857, due to outstanding checks, while the total of bank balances equaled \$13,001,562. Of the bank balances, \$500,000 is covered by federal depository insurance, and the remainder was covered by \$12,501,562 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 \$34,863,636.
3. The largest deposit combined account balance amounted to \$35,363,636 and occurred during the month of December 2015.
4. Total amount of FDIC coverage at the time of the largest combined balance was \$500,000.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

4. Deposits and Investments (continued)

Investments

The District's temporary investments, including restricted assets, at June 30, 2016 are as follows:

| | June 30, 2016 | Level 1 | Level 2 | Level 3 |
|--|--------------------------|----------------|----------------|----------------|
| Investments by fair value level: | | | | |
| Debt securities | | | | |
| U.S. Treasuries and agencies | \$ 14,855,938 | \$ - | \$ 14,855,938 | \$ - |
| Total debt securities | 14,855,938 | - | 14,855,938 | - |
| Total investments by fair value level | \$ 14,855,938 | | | |
| Investments measured at net asset value ("NAV"): | | | | |
| LoneStar | \$ 252,441,450 | | | |
| Texas Term | 254,009,486 | | | |
| TexPool | 87,091,498 | | | |
| TexStar | 54,346,046 | | | |
| Total investments measured at NAV | 647,888,480 | | | |
| Total investments measured at fair value | \$ 662,744,418 | | | |
| Investments measured at amortized cost: | | | | |
| Money market funds | \$ 543,272 | | | |
| Certificates of deposit | 1,006,257 | | | |
| Savings accounts | 148,357 | | | |
| Total investments | \$ 664,442,304 | | | |

Debt securities classified as Level 2 of the fair value hierarchy are valued using other observable significant inputs including but not limited to quoted prices for similar securities, interest rates, prepayment speeds, and credit risk. Investments in local investment pools are measured at NAV per share determined by the pool. The investments held by the local investment pools are measured at amortized cost.

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 the Basic Financial Statements

June 30, 2016

4. Deposits and Investments (continued)

Credit Risk

As of June 30, 2016, the District's investment in U.S. Government securities were rated AA+ by Standard & Poor's.

Interest Rate Risk

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. The District's General Fund did not hold U.S. Government Treasury Bills or agency securities at June 30, 2016. The District's Debt Service Fund holds \$14,855,938 in U.S. Government Treasury and agency securities at June 30, 2016, all of which mature in more than one year.

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.

Although TexPool is not registered with the SEC as an investment company, the District believes it meets the requirements of GASB Statement No. 79, and as such, measures its investments at amortized cost. The district, as a participant in the local investment pools, measures its investment in the pool at NAV per share determined by the pool.

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.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

4. Deposits and Investments (continued)

Lone Star Lone Star Investment Pool (continued)

Although Lone Star is not registered with the SEC as an investment company, the District believes it meets the requirements of GASB Statement No. 79, and as such, measures its investments at amortized cost. The district, as a participant in the local investment pools, measures its investment in the pool at NAV per share determined by the pool.

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.

Although TexasTERM is not registered with the SEC as an investment company, the District believes it meets the requirements of GASB Statement No. 79, and as such, measures its investments at amortized cost. The district, as a participant in the local investment pools, measures its investment in the pool at NAV per share determined by the pool.

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 sixty (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.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

4. Deposits and Investments (continued)

TexSTAR Investment Pool (continued)

Although TexSTAR is not registered with the SEC as an investment company, the District believes it meets the requirements of GASB Statement No. 79, and as such, measures its investments at amortized cost. The district, as a participant in the local investment pools, measures its investment in the pool at NAV per share determined by the pool.

5. Property Taxes

Property taxes are levied as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60-day period after the close of the District's fiscal year.

The final assessed value at January 1, 2015, upon which the October 2015 levy was based, was \$89,259,003,447.

The tax rates assessed for the ten month period ended June 30, 2016 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.079 and \$0.123 per \$100 valuation, respectively, for a total of \$1.202 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, 2016, property taxes receivable, net of estimated uncollectible taxes, totaled \$8,974,120 and \$1,090,138 for the General and Debt Service Funds, respectively.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

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, 2016 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.

| <u>Fund</u> | <u>Local Entities</u> | <u>State Grants and Other</u> | <u>Federal Grants</u> | <u>Total</u> |
|---------------|---------------------------|---------------------------------------|---------------------------|----------------------|
| General Fund | \$ - | \$ 4,909,232 | \$ - | \$ 4,909,232 |
| Nonmajor fund | <u>1,761,464</u> | <u>15,207,011</u> | <u>187,758</u> | <u>17,156,233</u> |
| | <u>\$ 1,761,464</u> | <u>\$ 20,116,243</u> | <u>\$ 187,758</u> | <u>\$ 22,065,465</u> |

7. Changes in Capital Assets

The following summarizes the change in capital assets for the ten month period ended June 30, 2016:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--|-------------------------------|----------------------|------------------------|----------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 70,679,124 | \$ 18,978 | \$ - | \$ 70,698,102 |
| Construction in progress | <u>76,228,054</u> | <u>62,547,030</u> | <u>(71,497,633)</u> | <u>67,277,451</u> |
| Total capital assets not being depreciated | <u>146,907,178</u> | <u>62,566,008</u> | <u>(71,497,633)</u> | <u>137,975,553</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 1,472,115,084 | 59,786,555 | - | 1,531,901,639 |
| Furniture and equipment | <u>95,066,629</u> | <u>12,687,579</u> | <u>(3,374,220)</u> | <u>104,379,988</u> |
| Total capital assets being depreciated | <u>1,567,181,713</u> | <u>72,474,134</u> | <u>(3,374,220)</u> | <u>1,636,281,627</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (689,655,433) | (45,475,615) | - | (735,131,048) |
| Furniture and equipment | <u>(71,826,448)</u> | <u>(5,273,907)</u> | <u>3,308,175</u> | <u>(73,792,180)</u> |
| Total accumulated depreciation | <u>(761,481,881)</u> | <u>(50,749,522)</u> | <u>3,308,175</u> | <u>(808,923,228)</u> |
| Total capital assets being depreciated – net | <u>805,699,832</u> | <u>21,724,612</u> | <u>(66,045)</u> | <u>827,358,399</u> |
| Governmental activities capital assets – net | <u>\$ 952,607,010</u> | <u>\$ 84,290,620</u> | <u>\$ (71,563,678)</u> | <u>\$ 965,333,952</u> |

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

7. Changes in Capital Assets (continued)

Depreciation expense for the ten month period ended June 30, 2016 was charged to functions/programs of primary government activities as follows:

| | |
|--|----------------------|
| Instruction | \$ 33,414,319 |
| Instructional resources and media services | 2,247,667 |
| Curriculum and staff development | 892 |
| Instructional leadership | 11,815 |
| School leadership | 2,338,866 |
| Guidance, counseling, and evaluation services | 247,060 |
| Health services | 82,033 |
| Student (pupil) transportation | 2,491,039 |
| Food services | 3,155,151 |
| Curricular/extracurricular activities | 2,383,035 |
| General administration | 8,875 |
| Plant maintenance and operations | 1,634,112 |
| Security and monitoring services | 159,421 |
| Data processing services | 849,624 |
| Community services | 33,540 |
| Facilities acquisition and construction | 763,623 |
| Depreciation – exclusive of functional amounts | <u>928,450</u> |
| | <u>\$ 50,749,522</u> |

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

8. Long-Term Obligations

Long-term obligations include par bonds and loans, leases, self-insurance claims payable, and net pension liability. At June 30, 2016, 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 \$89,259,003,447, and the District's legal debt margin is 0.9%.

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 ten month period ended June 30, 2016:

| | Bonds Payable | Loans Payable | Self-Insurance Claims Payable | Net Pension Liability |
|--|--------------------------|--------------------------|--|--------------------------------------|
| Balance – as reported at August 31, 2015 | \$ 856,887,935 | \$ 3,624,351 | \$ 13,391,471 | \$ 102,327,301 |
| Current year claims and/or changes in estimates | - | - | 68,281,190 | - |
| Bond issuances | 24,078,000 | - | - | - |
| Retirements | (152,633) | (289,053) | - | - |
| Claim payments | - | - | (67,598,689) | - |
| Amortized bond premium | (4,648,145) | - | - | - |
| Additions – net pension expense | - | - | - | 14,092,021 |
| Reductions – net deferred resources | - | - | - | 1,622,747 |
| Reductions – prior year contributions | - | - | - | (9,123,735) |
| | <u>\$ 876,165,157</u> | <u>\$ 3,335,298</u> | <u>\$ 14,073,972</u> | <u>\$ 108,918,334</u> |
| Balance at June 30, 2016 | | | | |
| Amount due within one year | <u>\$ 72,412,617</u> | <u>\$ 395,323</u> | <u>\$ 10,512,872</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 the Basic Financial Statements

June 30, 2016

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, 2016:

| Description | Interest Rate Payable | Amounts Original Issue |
|---|-----------------------|-------------------------|
| Bonded indebtedness: | | |
| 1998 Unlimited Tax Refunding Bonds | 3.10-5.00% | \$ 130,397,389 |
| 2002 Unlimited Tax School Qualified Zone Academy Bonds | 4.11% | 5,082,652 |
| 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 Refunding Bonds | 5.00-5.25% | 54,375,000 |
| 2006 Unlimited Tax School Qualified Zone Academy Bonds | 2.69% | 6,408,071 |
| 2006A Unlimited Tax Refunding Building Bonds | 4.00-5.00% | 90,000,000 |
| 2006B Unlimited Tax Refunding Bonds | 4.00-5.00% | 31,460,000 |
| 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% | <u>24,078,000</u> |
| | | <u>\$ 1,374,740,166</u> |

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

8. Long-Term Obligations (continued)

| Description | Amounts Outstanding August 31, 2015 | Additions Current Year | Retired Current Year | Amounts Outstanding June 30, 2016 |
|---|--|------------------------------|----------------------------|--|
| 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 | - | - | 18,230,000 |
| 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 | - | - | 24,885,000 |
| 2008 Unlimited Tax School Qualified Zone Academy | 1,373,700 | - | (152,633) | 1,221,067 |
| 2008 Unlimited Tax Refunding | 45,380,000 | - | - | 45,380,000 |
| 2009 Unlimited Tax Refunding | 81,170,000 | - | - | 81,170,000 |
| 2010 Unlimited Tax Refunding | 70,640,000 | - | - | 70,640,000 |
| 2011 Unlimited Tax Refunding | 82,315,000 | - | - | 82,315,000 |
| 2013A Unlimited Tax Refunding | 99,365,000 | - | - | 99,365,000 |
| 2013B Unlimited Tax Refunding | 8,250,000 | - | - | 8,250,000 |
| 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 |
| Bond premium | 65,896,589 | - | (4,648,145) | 61,248,444 |
| Total bond indebtedness | \$ 856,887,935 | \$ 24,078,000 | \$ (4,800,778) | \$ 876,165,157 |

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

8. Long-Term Obligations (continued)

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

| | Principal | Interest | Total |
|----------------------|------------------|-----------------|------------------|
| Year ending June 30, | | | |
| 2017 | \$ 72,412,617 | \$ 34,781,521 | \$ 107,194,138 |
| 2018 | 48,739,965 | 32,211,962 | 80,951,927 |
| 2019 | 41,354,965 | 30,401,521 | 71,756,486 |
| 2020 | 36,711,888 | 28,939,806 | 65,651,694 |
| 2021 | 37,518,036 | 27,557,358 | 65,075,394 |
| 2022-2026 | 191,654,562 | 115,231,711 | 306,886,273 |
| 2027-2031 | 200,349,680 | 71,278,544 | 271,628,224 |
| 2032-2036 | 160,995,000 | 23,235,006 | 184,230,006 |
| 2037-2041 | 25,180,000 | 1,569,501 | 26,749,501 |
| | \$ 814,916,713 | \$ 365,206,930 | \$ 1,180,123,643 |

In fiscal year 2016, the District issued one new series of bonded indebtedness as follows:

- The District entered into a contract, which was approved by the Board on September 28, 2015, to issue \$24,078,000 of Unlimited Tax Qualified School Construction Bonds, Series 2015 and delivered such bonds on November 9, 2015. The District used the \$24,078,000 to pay for costs of the construction or rehabilitation of public school facilities and the acquisition of land and equipment.

In 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, 2016.

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, 2016.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

8. Long-Term Obligations (continued)

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:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|-----------------|------------------|
| 2017 | \$ 34,281 | \$ 1,484 | \$ 35,765 |
| 2018 | 34,972 | 793 | 35,765 |
| 2019 | <u>16,450</u> | <u>132</u> | <u>16,582</u> |
| | <u>\$ 85,703</u> | <u>\$ 2,409</u> | <u>\$ 88,112</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:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-------------------|---------------------|
| 2017 | \$ 361,042 | \$ 99,222 | \$ 460,264 |
| 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 |
| 2022-2015 | <u>1,331,474</u> | <u>86,246</u> | <u>1,417,720</u> |
| | <u>\$ 3,249,595</u> | <u>\$ 469,444</u> | <u>\$ 3,719,039</u> |

During fiscal year 2016, interest expense and cash paid for interest totaled \$18,037,024.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

9. Interfund Receivables and Payables

Interfund balances occur when one fund pays or receives resources for another fund. Interfund balances at June 30, 2016 consisted of the following fund receivables and payables:

| | <u>Due From</u> | <u>Due To</u> |
|--------------------------------|----------------------|----------------------|
| Major Fund – General: | | |
| Capital Projects | \$ 5,073,809 | \$ 78,340 |
| Nonmajor | 9,968,101 | 3,470 |
| Fiduciary | - | 36 |
| | <u>15,041,910</u> | <u>81,846</u> |
| Total General Fund | | |
| Major Fund – Debt Service: | | |
| Capital Projects | - | 130,640 |
| Nonmajor | 34,206 | - |
| | <u>34,206</u> | <u>130,640</u> |
| Total Debt Service Fund | | |
| Major Fund – Capital Projects: | | |
| General | 78,340 | 5,073,809 |
| Debt Service | 130,640 | - |
| | <u>208,980</u> | <u>5,073,809</u> |
| Total Capital Projects Fund | | |
| Nonmajor Funds: | | |
| General | 3,470 | 9,968,101 |
| Debt Service | - | 34,206 |
| Nonmajor | 482 | 482 |
| Internal Service | 3,076 | 77,425 |
| Fiduciary | 9,321 | - |
| | <u>16,349</u> | <u>10,080,214</u> |
| Total Nonmajor Funds | | |
| Internal Service Fund: | | |
| Nonmajor | 77,425 | 3,076 |
| Fiduciary | 719,569 | - |
| | <u>796,994</u> | <u>3,076</u> |
| Total Internal Service Fund | | |
| Fiduciary Funds: | | |
| General | 36 | - |
| Nonmajor | - | 9,321 |
| Internal Service | - | 719,569 |
| Fiduciary | 5,165 | 5,165 |
| | <u>5,201</u> | <u>734,055</u> |
| Total Fiduciary Funds | | |
| Total all funds | <u>\$ 16,103,640</u> | <u>\$ 16,103,640</u> |

During the year, the Debt Service Fund transferred \$24,078,000 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. During the year, the General Fund transferred \$10,000,000 to a non-major Internal Service Fund to partially fund health care costs.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

10. Commitments and Contingencies

At June 30, 2016, the District is committed under contracts in the amount of approximately \$11 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, 2016, 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 ten month period ended June 30, 2016 was \$3,498,039. 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:

| <u>Tax Year</u> | <u>Property Value</u> |
|-----------------|--------------------------|
| 2004 | \$ 1,241,301 |
| 2007 | 2,477,500 |
| 2008 | 22,317,448 |
| 2009 | 127,826,552 |
| 2010 | 51,556,038 |
| 2011 | 54,008,960 |
| 2012 | 214,326,346 |
| 2013 | 795,341,627 |
| 2014 | 2,231,902,164 |
| 2015 | 8,360,387,276 |
| | <u>\$ 11,861,385,212</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 the Basic Financial Statements

June 30, 2016

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 the Teacher Retirement System of Texas (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.state.tx.us/about/documents/cafr.pdf#CAFR>; 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 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

11. Defined Benefit Pension Plan (continued)

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.

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

| | 2016 | 2015 |
|---|-------------|---------------|
| Member | 7.2% | 6.7% |
| Non-Employer Contributing Entity (State) (“NECE”) | 6.8% | 6.8% |
| Employers | 6.8% | 6.8% |
| District’s 2015 employer contributions | | \$ 9,123,735 |
| District’s 2015 member contributions | | \$ 29,509,142 |
| District’s 2015 NECE contributions | | \$ 27,642,692 |

Contributors to the plan include members, employers and the State of Texas as the only non-employer 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 non-employer 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.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

11. Defined Benefit Pension Plan (continued)

D. Contributions (continued)

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.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance ("OASDI") 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.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

11. Defined Benefit Pension Plan (continued)

E. Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

| | |
|--|-----------------------------|
| Valuation Date | August 31, 2015 |
| 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% |
| Payroll Growth Rate | 2.5% |
| 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 ending August 31, 2014 and adopted on September 24, 2015.

F. Discount Rate

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

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

11. Defined Benefit Pension Plan (continued)

F. Discount Rate (continued)

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Geometric Real Rate of Return</u> | <u>Expected Contribution to Long-Term Portfolio Returns*</u> |
|-------------------------------|--------------------------|---|--|
| 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 | <u>100%</u> | | <u>8.7%</u> |

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

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

11. Defined Benefit Pension Plan (continued)

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 2015 Net Pension Liability.

| | <u>1% Decrease in Discount Rate (7%)</u> | <u>Discount Rate (8%)</u> | <u>1% Increase in Discount Rate (9%)</u> |
|---|--|-------------------------------|--|
| District's proportionate share of the net pension liability | \$ 170,654,500 | \$ 108,918,334 | \$ 57,495,944 |

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

At June 30, 2016, the District reported a liability of \$108,918,334 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 | \$ 108,918,334 |
| State's proportionate share that is associated with the District | <u>329,898,170</u> |
| Total | <u>\$ 438,816,504</u> |

The net pension liability was measured as of August 31, 2015 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, 2014 through August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.308126% which was a decrease of 19.57% from its proportion measured as of August 31, 2014.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

11. Defined Benefit Pension Plan (continued)

H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Changes Since the Prior Actuarial Valuation – The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality table for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

11. Defined Benefit Pension Plan (continued)

H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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, 2015, the District recognized pension expense of \$47,005,180 and revenue of \$47,005,180 for support provided by the State.

As of the measurement date of August 31, 2015, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|--|--|---|
| Differences between expected and actual economic experience | \$ 1,316,134 | \$ 4,185,829 |
| Changes in actuarial assumptions | 5,531,739 | 3,885,729 |
| Difference between projected and actual investment earnings | 26,824,160 | 23,456,552 |
| Changes in proportion and difference between the District's contributions and the proportionate share of contributions | - | 17,152,163 |
| Contributions paid to TRS subsequent to the measurement date | 6,820,214 | - |
| Total | \$ 40,492,247 | \$ 48,680,273 |

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:

| | Pension Expense Amount |
|----------------------|-----------------------------------|
| Year ending June 30: | |
| 2017 | \$ (4,000,612) |
| 2018 | (4,000,612) |
| 2019 | (4,000,612) |
| 2020 | 3,818,239 |
| 2021 | (2,969,865) |
| Thereafter | (3,854,778) |

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

12. Health Care Coverage

A. Health Insurance Plan

During the ten month period ended June 30, 2016, 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"). 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 \$446 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, 2015, 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 \$2,145,399, \$2,191,939, and \$1,416,537, for fiscal years 2016, 2015, and 2014, respectively.

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.

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

12. Health Care Coverage (continued)

B. Medicare Part D (continued)

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 August 31, 2015 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.state.tx.us 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. Contribution rates and amounts are shown in the table below for fiscal years 2016-2014.

Contribution Rates and Amounts

| Year | Active Member | | State | | School District | |
|------|---------------|--------------|-------|------------|-----------------|--------------|
| | Rate | Amount | Rate | Amount | Rate | Amount |
| 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 |
| 2014 | 0.65% | 3,448,239 | 1.00% | 584,030 | 0.55% | 2,917,741 |

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

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 \$500,000 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 \$500,000 up to the statutory limit, as described by state law.

During the ten month period ended June 30, 2016, 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:

| | 2016 | | 2015 | |
|---------------------------------|--------------------------|---------------------|--------------------------|---------------------|
| | Workers' Compensation | Health Insurance | Workers' Compensation | Health Insurance |
| Beginning of the year liability | \$ 6,391,471 | \$ 7,000,000 | \$ 6,414,535 | \$ 4,932,983 |
| Current year claims | 2,368,928 | 65,229,761 | 2,164,723 | 74,430,860 |
| Changes in estimates | 169,629 | 512,872 | (23,064) | 2,067,017 |
| Claim payments | <u>(2,368,928)</u> | <u>(65,229,761)</u> | <u>(2,164,723)</u> | <u>(74,430,860)</u> |
| End of the year liability | <u>\$ 6,561,100</u> | <u>\$ 7,512,872</u> | <u>\$ 6,391,471</u> | <u>\$ 7,000,000</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, 2016. 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 the Basic Financial Statements

June 30, 2016

14. Deficit Fund Balance

As of June 30, 2016, the Capital Projects Fund had a deficit fund balance of \$91,209,532. The deficit fund balance resulted from capital expenditures incurred in 2013 through 2016, which were being financed by commercial paper and accounts payable on an interim basis. The District is utilizing the commercial paper program, which is more fully described in Note 15, rather than issuing a large amount of bonded indebtedness at the beginning of a construction program. The commercial paper program allows the District to issue smaller increments of short-term debt that more closely matches the size and timing of its construction expenditures and, thus, minimize the total amount of interest cost and bond issuances costs incurred on the construction program. Voters of the District approved the issuance of up to \$519.5 million of bonds in an election in September 2004, the issuance of up to \$343.7 million of bonds in an election in May 2008, and the issuance of up to \$489.7 million of bonds in an election in May 2013. The deficit fund balance will be eliminated by future bond proceeds. As of June 30, 2016, the District has issued \$508.8 million of the original \$519.5 million bond authorization approved by the voters of the District in September 2004, \$300.2 million of the \$343.7 million bond authorization approved by voters in May 2008, and \$99.1 million of the \$489.7 million bond authorization approved by voters in May 2013.

15. 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 revolving credit agreements with Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation. 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, 2016, the District had a \$100 million outstanding balance of Commercial Paper. Since the beginning of the Commercial Paper Program, the District has issued approximately \$831 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, 2016, \$815 million of bond proceeds has been used to refinance the Commercial Paper.

Changes in the Commercial Paper are as follows:

| | June 30, 2016 | August 31, 2015 |
|-----------------------------------|----------------------|------------------------|
| Beginning of the period liability | \$ 20,000,000 | \$ - |
| Bonds issued | - | (70,000,000) |
| Commercial paper issuances | 80,000,000 | 90,000,000 |
| End of the period liability | \$ 100,000,000 | \$ 20,000,000 |

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

16. Fund Balance

Designations of governmental fund balance as of June 30, 2016 were as follows:

| | General Fund | Debt Service Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------------|----------------------------------|--------------------------------------|--|---|
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Inventories | \$ 513,043 | \$ - | \$ - | \$ 2,546,480 | \$ 3,059,523 |
| Prepays | 867,684 | - | - | - | 867,684 |
| Restricted: | | | | | |
| Retirement of long-term debt | - | 137,670,940 | - | - | 137,670,940 |
| Federal and state funds grants | - | - | - | 6,108,396 | 6,108,396 |
| Assigned: | | | | | |
| Administration | 470,829 | - | - | - | 470,829 |
| Community services | 32,767 | - | - | - | 32,767 |
| Health Fund Subsidy | 8,000,000 | - | - | - | 8,000,000 |
| Instructional related | 6,615,496 | - | - | - | 6,615,496 |
| Instructional and school leadership related | 133,006 | - | - | - | 133,006 |
| Library science | 108,000 | - | - | - | 108,000 |
| Special projects (energy conservation and e-rate reimbursements) | 6,642,119 | - | - | - | 6,642,119 |
| Strategic compensation | 633,370 | - | - | - | 633,370 |
| Support services (nonstudent related) | 1,998,335 | - | - | - | 1,998,335 |
| Support services (student related) | 10,000 | - | - | - | 10,000 |
| Unassigned | <u>266,242,369</u> | <u>-</u> | <u>(91,209,532)</u> | <u>-</u> | <u>175,032,837</u> |
| Total fund balances | <u>\$ 292,267,018</u> | <u>\$ 137,670,940</u> | <u>\$ (91,209,532)</u> | <u>\$ 8,654,876</u> | <u>\$ 347,383,302</u> |

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

17. Shared Services Arrangements

The District is the fiscal agent for two shared services arrangements (“SSA”). One SSA 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 other SSAs provide education services to member districts in the Indian Education Formula Grant Consortium. In addition to the District, other member districts in this SSA include Bastrop ISD, Leander ISD, Liberty Hill ISD, and Round Rock 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, 2016 are summarized below by program:

| Indian Education | <u>All Districts</u> | <u>Austin ISD</u> | <u>Bastrop</u> | <u>Leander</u> | <u>Liberty Hill</u> | <u>Round Rock</u> |
|--------------------|----------------------|-------------------|-----------------|-----------------|---------------------|-------------------|
| Number of Students | <u>139</u> | <u>91</u> | <u>9</u> | <u>20</u> | <u>1</u> | <u>18</u> |
| Fund Year 285.5 | \$ (1,140) | \$ (746) | \$ (74) | \$ (164) | \$ (8) | \$ (148) |
| Number of Students | <u>66</u> | <u>38</u> | <u>10</u> | <u>11</u> | <u>-</u> | <u>7</u> |
| Fund Year 285.6 | 47,978 | 27,624 | 7,269 | 7,996 | - | 5,089 |
| Total | <u>\$ 46,838</u> | <u>\$ 26,878</u> | <u>\$ 7,195</u> | <u>\$ 7,832</u> | <u>\$ (8)</u> | <u>\$ 4,941</u> |

Austin Independent School District

Notes to the Basic Financial Statements

June 30, 2016

17. Shared Services Arrangements (continued)

| | <u>All Districts</u> | <u>Austin ISD</u> | <u>Del Valle ISD</u> |
|----------------------------------|--------------------------|--------------------------|-------------------------|
| Regional Day School for the Deaf | | | |
| Number of Students | <u>96</u> | <u>90</u> | <u>6</u> |
| Fund Year | | | |
| 315.6 | \$ <u>27,111</u> | \$ <u>25,417</u> | \$ <u>1,694</u> |
| Discretionary Deaf | <u>27,111</u> | <u>25,417</u> | <u>1,694</u> |
| 316.6 | <u>37,735</u> | <u>35,377</u> | <u>2,358</u> |
| Formula Deaf | <u>37,735</u> | <u>35,377</u> | <u>2,358</u> |
| 317.6 | <u>8,861</u> | <u>8,307</u> | <u>554</u> |
| Preschool Deaf | <u>8,861</u> | <u>8,307</u> | <u>554</u> |
| 340.6 | <u>2,849</u> | <u>2,671</u> | <u>178</u> |
| Early Intervention | <u>2,849</u> | <u>2,671</u> | <u>178</u> |
| 435.5 | 581 | 545 | 36 |
| 435.6 | <u>468,346</u> | <u>439,074</u> | <u>29,272</u> |
| State Deaf | <u>468,927</u> | <u>439,619</u> | <u>29,308</u> |
| Total | \$ <u><u>545,483</u></u> | \$ <u><u>511,391</u></u> | \$ <u><u>34,092</u></u> |

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

Ten Month Period Ended June 30, 2016

| <u>Data Control Codes</u> | <u>Budgeted Amounts</u> | | | Variance With Final Budget Positive (Negative) | |
|---------------------------------------|---|-----------------------|-----------------------|---|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | | |
| Revenues | | | | | |
| 5700 | Local and intermediate sources | \$ 930,485,500 | \$ 936,194,949 | \$ 935,923,424 | \$ (271,525) |
| 5800 | State program revenues | 48,921,282 | 52,771,206 | 50,329,570 | (2,441,636) |
| 5900 | Federal program revenues | <u>23,273,563</u> | <u>26,573,563</u> | <u>26,554,292</u> | <u>(19,271)</u> |
| 5020 | Total revenues | <u>1,002,680,345</u> | <u>1,015,539,718</u> | <u>1,012,807,286</u> | <u>(2,732,432)</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| 0011 | Instruction | 432,127,446 | 390,562,748 | 389,399,804 | 1,162,944 |
| 0012 | Instructional resources and media services | 10,924,614 | 10,868,107 | 9,543,853 | 1,324,254 |
| 0013 | Curriculum and instructional staff development | 12,163,348 | 12,041,030 | 9,035,047 | 3,005,983 |
| 0021 | Instructional leadership | 13,224,221 | 12,174,783 | 10,941,590 | 1,233,193 |
| 0023 | School leadership | 49,897,258 | 44,259,768 | 43,574,984 | 684,784 |
| 0031 | Guidance, counseling, and evaluation services | 20,207,979 | 22,137,535 | 20,177,938 | 1,959,597 |
| 0032 | Social work services | 4,676,341 | 5,026,505 | 4,614,858 | 411,647 |
| 0033 | Health services | 6,228,661 | 6,786,715 | 6,225,201 | 561,514 |
| 0034 | Student (pupil) transportation | 27,369,589 | 29,568,455 | 28,318,982 | 1,249,473 |
| 0036 | Curricular/extracurricular activities | 13,684,024 | 14,154,119 | 14,274,409 | (120,290) |
| 0041 | General administration | 19,086,733 | 16,441,838 | 15,309,497 | 1,132,341 |
| 0051 | Plant maintenance and operations | 76,156,169 | 75,159,728 | 69,700,769 | 5,458,959 |
| 0052 | Security and monitoring services | 9,940,149 | 9,640,069 | 9,183,864 | 456,205 |
| 0053 | Data processing services | 18,422,345 | 18,925,161 | 16,751,523 | 2,173,638 |
| 0061 | Community services | 4,576,472 | 5,016,146 | 4,404,619 | 611,527 |
| 0071 | Principal on long-term debt | 496,029 | 413,061 | 289,052 | 124,009 |
| 0072 | Interest on long-term debt | - | 82,968 | 82,968 | - |
| 0081 | Capital outlay | 1,546,604 | 1,828,012 | 1,957,830 | (129,818) |
| 0091 | Contracted instructional services between schools | 272,762,822 | 266,077,759 | 266,073,630 | 4,129 |
| 0093 | Payments related to shared services arrangements | 2,641,223 | 2,759,615 | 2,701,947 | 57,668 |
| 0099 | Other intergovernmental charges | <u>5,617,250</u> | <u>5,726,953</u> | <u>5,721,415</u> | <u>5,538</u> |
| 6030 | Total expenditures | <u>1,001,749,277</u> | <u>949,651,075</u> | <u>928,283,780</u> | <u>21,367,295</u> |
| 1100 | Excess (deficiency) of revenues over (under) expenditures | <u>931,068</u> | <u>65,888,643</u> | <u>84,523,506</u> | <u>18,634,863</u> |
| Other Financing Sources (Uses) | | | | | |
| 7912 | Sale of real or personal property | 51,000 | 51,000 | 20,584 | (30,416) |
| 8911 | Transfer out | - | (10,000,000) | (10,000,000) | - |
| 8949 | Other uses | <u>(81,000)</u> | <u>(81,000)</u> | <u>-</u> | <u>81,000</u> |
| 7080 | Total other financing sources (uses) | <u>(30,000)</u> | <u>(10,030,000)</u> | <u>(9,979,416)</u> | <u>50,584</u> |
| 1200 | Net change in fund balance | 901,068 | 55,858,643 | 74,544,090 | 18,685,447 |
| 0100 | Fund balance at beginning of period | <u>217,722,928</u> | <u>217,722,928</u> | <u>217,722,928</u> | <u>-</u> |
| 3000 | Fund balance at end of period | <u>\$ 218,623,996</u> | <u>\$ 273,581,571</u> | <u>\$ 292,267,018</u> | <u>\$ 18,685,447</u> |

See accompanying independent auditor's report.

Austin Independent School District

Exhibit G-1

Note to the Budgetary Comparison Schedule – General Fund

Ten Month Period Ended June 30, 2016

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 fiscal year 2016, the District had an unfavorable variance in Capital Outlay in the amount of \$129,818, as the District had additional expenses for maintenance of buildings and grounds and various construction and improvement costs than were expected. The District was not made aware of these un-posted expenses until after the final budget amendment was completed for fiscal year 2016.

Austin Independent School District

Schedule of the District's Proportionate Share of the Net Pension Liability

Last Two Fiscal Years

| | 2016 | 2015 |
|---|----------------|-------------|
| District's proportion of the net pension liability | 0.3081257% | 0.3830850% |
| District's proportionate share of net pension liability | \$ 108,918,334 | 102,327,301 |
| State's proportionate share of the net pension liability associated with the district | 329,898,170 | 280,740,695 |
| Total | \$ 438,816,504 | 383,067,996 |
| District's covered-employee payroll | \$ 540,891,491 | 530,498,281 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 20.14% | 19.29% |
| Plan fiduciary net position as a percentage of the total pension liability | 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 two 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 Two Fiscal Years

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

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

Only two 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

Notes to the Required Supplementary Information

June 30, 2016

1. Changes to benefit terms

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

2. Changes of assumptions

The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality table for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.

Austin Independent School District

Notes to the Required Supplementary Information

June 30, 2016

2. Changes of assumptions (continued)

10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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 Twelve Months Ended August 31, 2016

| Year Ended August 31, | Tax Rates | | Assessed/ Appraised Value for School Tax Purposes | Beginning Balance at September 1, 2015 | Current Year's Total Levy | 20 | 30 | 30a | 40 | 50 |
|--------------------------------|-------------|--------------|---|---|------------------------------------|----------------|----------------|----------------|---------------|----|
| | Maintenance | Debt Service | | | | | | | | |
| 2006 and prior years | Various | Various | \$ Various | \$ 16,033,151 | \$ - | \$ 71,090 | \$ 6,554 | \$ (43,175) | \$ 15,912,332 | |
| 2007 | 1.3700 | 0.1230 | 46,891,428,945 | 1,264,289 | - | 25,090 | 2,253 | (14,819) | 1,222,127 | |
| 2008 | 1.0400 | 0.1230 | 52,962,285,527 | 1,048,580 | - | 30,455 | 3,602 | (18,207) | 996,316 | |
| 2009 | 1.0790 | 0.1230 | 58,836,304,076 | 1,422,691 | - | 48,457 | 5,524 | (52,699) | 1,316,011 | |
| 2010 | 1.0790 | 0.1230 | 61,630,025,136 | 1,470,626 | - | 124,368 | 14,177 | (12,948) | 1,319,133 | |
| 2011 | 1.0790 | 0.1480 | 59,795,510,706 | 1,553,362 | - | 156,851 | 21,514 | (3,808) | 1,371,189 | |
| 2012 | 1.0790 | 0.1630 | 60,510,010,799 | 1,158,451 | - | 155,668 | 23,516 | (78,700) | 900,567 | |
| 2013 | 1.0790 | 0.1630 | 62,672,946,147 | 1,913,720 | - | 81,807 | 12,358 | (285,282) | 1,534,273 | |
| 2014 | 1.0790 | 0.1630 | 67,349,173,527 | 2,884,823 | - | 357,288 | 53,974 | (431,700) | 2,041,861 | |
| 2015 | 1.0790 | 0.1430 | 75,479,270,096 | 6,233,193 | - | 1,632,517 | 216,358 | (1,693,200) | 2,691,118 | |
| 2016 (school year under audit) | 1.0790 | 0.1230 | 89,259,003,447 | - | 1,039,299,288 | 921,553,561 | 105,051,981 | (6,746,559) | 5,947,187 | |
| 1000 Totals | | | | \$ 34,982,886 | \$ 1,039,299,288 | \$ 924,237,152 | \$ 105,411,811 | \$ (9,381,097) | \$ 35,252,114 | |

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. Fiscal years 2015 and prior ended on August 31; however, for 2016, the fiscal period consisted of the ten-month period of September 1, 2015 through June 30, 2016. The Schedule of Delinquent Taxes Receivable is reported for twelve months to comply with TEA requirements.

Austin Independent School District

Exhibit J-4

Budgetary Comparison Schedule Required By the Texas Education Agency – National School Breakfast and Lunch Programs

Ten Month Period Ended June 30, 2016

| <u>Data Control Codes</u> | <u>Budgeted Amounts</u> | | | Variance With Final Budget Positive (Negative) | |
|-----------------------------------|--|---------------------|---------------------|---|-------------------|
| | 1 | 2 | 3 | | |
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | | |
| Revenues | | | | | |
| 5700 | Local and intermediate sources | \$ 7,867,390 | \$ 7,146,049 | \$ 6,986,667 | \$ (159,382) |
| 5800 | State program revenues | 1,146,327 | 1,202,104 | 1,122,882 | (79,222) |
| 5900 | Federal program revenues | <u>31,327,451</u> | <u>28,057,677</u> | <u>27,461,104</u> | <u>(596,573)</u> |
| 5020 | Total revenues | <u>40,341,168</u> | <u>36,405,830</u> | <u>35,570,653</u> | <u>(835,177)</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| 0035 | Food service | <u>40,886,129</u> | <u>36,405,830</u> | <u>34,925,990</u> | <u>1,479,840</u> |
| 6030 | Total expenditures | <u>40,886,129</u> | <u>36,405,830</u> | <u>34,925,990</u> | <u>1,479,840</u> |
| 1100 | Excess (deficiency) of revenues over (under) expenditures | <u>(544,961)</u> | <u>-</u> | <u>644,663</u> | <u>644,663</u> |
| 1200 | Net change in fund balance | (544,961) | - | 644,663 | 644,663 |
| 0100 | Fund balance at beginning of period | <u>5,237,928</u> | <u>5,237,928</u> | <u>5,237,928</u> | <u>-</u> |
| 3000 | Fund balance at end of period | <u>\$ 4,692,967</u> | <u>\$ 5,237,928</u> | <u>\$ 5,882,591</u> | <u>\$ 644,663</u> |

Austin Independent School District

Exhibit J-5

Budgetary Comparison Schedule Required By the Texas Education Agency – Debt Service Fund

Ten Month Period Ended June 30, 2016

| <u>Data Control Codes</u> | Budgeted Amounts | | | Variance With Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|----------------------|-----------------------|---|
| | 1 | 2 | 3 | |
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues | | | | |
| 5700 | \$ 105,609,298 | \$ 106,196,298 | \$ 106,248,492 | \$ 52,194 |
| 5800 | - | 1,502,682 | 1,502,682 | - |
| 5900 | 984,466 | 984,466 | 458,761 | (525,705) |
| 5020 | <u>106,593,764</u> | <u>108,683,446</u> | <u>108,209,935</u> | <u>(473,511)</u> |
| Expenditures | | | | |
| 0071 | <u>109,033,174</u> | <u>109,033,174</u> | <u>18,708,611</u> | <u>90,324,563</u> |
| 6030 | <u>109,033,174</u> | <u>109,033,174</u> | <u>18,708,611</u> | <u>90,324,563</u> |
| 1100 | <u>(2,439,410)</u> | <u>(349,728)</u> | <u>89,501,324</u> | <u>89,851,052</u> |
| Other Financing Sources (Uses) | | | | |
| 7911 | - | - | 24,078,000 | 24,078,000 |
| 8911 | <u>-</u> | <u>-</u> | <u>(24,078,000)</u> | <u>(24,078,000)</u> |
| 7080 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 1200 | (2,439,410) | (349,728) | 89,501,324 | 89,851,052 |
| 0100 | <u>48,169,616</u> | <u>48,169,616</u> | <u>48,169,616</u> | <u>-</u> |
| 3000 | <u>\$ 45,730,206</u> | <u>\$ 47,819,888</u> | <u>\$ 137,670,940</u> | <u>\$ 89,851,052</u> |

Federal Awards Section



Padgett Stratemann

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
Austin, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Austin Independent School District (the "District") as of and for the ten month period ended June 30, 2016, 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 15, 2016.

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.

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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.

Padgett, Statemann + Co., L.L.P.

Austin, Texas
November 15, 2016



Padgett Stratemann

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
Austin, Texas

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 ten month period ended June 30, 2016. 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.

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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 its major federal programs for the ten month period ended June 30, 2016.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Padgett, Stratemann + Co., L.L.P.

Austin, Texas
November 15, 2016

Austin Independent School District

Schedule of Findings and Questioned Costs

Ten Month Period Ended June 30, 2016

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? Yes X 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)?

 Yes X No

Austin Independent School District

Schedule of Findings and Questioned Costs

Ten Month Period Ended June 30, 2016

(Continued)

Section I – Summary of Auditor’s Results (continued)

Identification of major federal programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|--|
| 84.010 | ESEA, Title I, Part A – Improving Basic Programs |
| 84.371C | Texas Literacy Initiative |

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

\$2,782,511

Auditee qualified as low-risk auditee?

X Yes

 No

Section II – General Purpose Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Austin Independent School District

Exhibit K-1 Schedule of Expenditures of Federal Awards

Ten Month Period Ended June 30, 2016

| (1) | | | (2) | (3) |
|--|--------------------------|--|---------------------------|--|
| Project Number | Data Control Codes | Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Expenditures Indirect Costs and Refunds |
| <u>United States Department of Education:</u> | | | | |
| Direct Programs: | | | | |
| S060A140771 | 379 | Indian Education Formula Grants to LEAs | 84.060A | \$ (1,140) |
| S060A150771 | 379 | Indian Education Formula Grants to LEAs* | 84.060A | <u>47,978</u> |
| | | Subtotal, Indian Education Formula Grants to LEAs | | <u>46,838</u> |
| U351C140069 | 289 | Project Creative Learning | 84.351C | 201,247 |
| U351C140069-15 | 289 | Project Creative Learning* | 84.351C | <u>121,572</u> |
| | | Subtotal, Project Creative Learning | | <u>322,819</u> |
| S374A100010 | 289 | REACH: Supporting and Rewarding Success in the Classroom | 84.374A | <u>399,038</u> |
| | | Total Direct Programs | | <u>768,695</u> |
| Passed Through The University of Texas at Austin: | | | | |
| N/A | 199 | Federal Work-Study Program | 84.033 | <u>21,072</u> |
| | | Total Passed Through The University of Texas at Austin | | <u>21,072</u> |
| Passed Through the Texas Education Agency: | | | | |
| 15610101227901 | 211 | ESEA, Title I, Part A – Improving Basic Programs | 84.010A | 59,438 |
| 16610101227901 | 211 | ESEA, Title I, Part A – Improving Basic Programs* | 84.010A | <u>25,753,833</u> |
| | | Subtotal, ESEA Title I Part A – Improving Basic Programs | | <u>25,813,271</u> |
| 15610103227901 | 211 | ESEA Title I Part D, Subpart 2 – Delinquent Programs | 84.010A | 333 |
| 16610103227901 | 211 | ESEA Title I Part D, Subpart 2 – Delinquent Programs* | 84.010A | <u>431,855</u> |
| | | Subtotal, ESEA Title I Part D, Subpart 2 – Delinquent Programs | | <u>432,188</u> |

*Grants awarded after December 26, 2014 and subject to Uniform Guidance.

Austin Independent School District

Exhibit K-1 Schedule of Expenditures of Federal Awards

Ten Month Period Ended June 30, 2016

(Continued)

| (1) | | | (2) | (3) |
|--------------------|--------------------------|---|---------------------------|--|
| Project Number | Data Control Codes | Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Expenditures Indirect Costs and Refunds |
| 15610112227901006 | 211 | Title I 1003(A) Priority and Focus School Grants – Reagan | 84.010A | \$ 718 |
| 15610112227901019 | 211 | Title I 1003(A) Priority and Focus School Grants – Eastside | 84.010A | 193 |
| 16610112227901000 | 211 | Title I 1003(A) Priority and Focus School Grants* | 84.010A | <u>395,841</u> |
| | | Subtotal, ESEA Title I 1003(A) Priority and Focus School Grants | | <u>396,752</u> |
| 156600012279016600 | 224 | IDEA – Part B, Formula | 84.027A | 15,302 |
| 166600012279016600 | 224 | IDEA – Part B, Formula* | 84.027A | <u>15,888,048</u> |
| | | Subtotal, IDEA – Part B, Formula | | <u>15,903,350</u> |
| 166600112279016673 | 315 | IDEA – Part B, Discretionary (Deaf)* | 84.027A | <u>27,111</u> |
| 156600012279016601 | 316 | IDEA – Part B, Formula (Deaf)* | 84.027A | <u>37,735</u> |
| 15420006227901 | 244 | Carl D. Perkins Basic Grant Formula for CATE | 84.048A | (2,122) |
| 16420006227901 | 244 | Carl D. Perkins Basic Grant Formula for CATE* | 84.048A | <u>949,314</u> |
| | | Subtotal, Carl D. Perkins Basic Grant Formula for CATE | | <u>947,192</u> |
| 156610012279016610 | 225 | IDEA – Part B, Preschool | 84.173A | 492 |
| 166610012279016610 | 225 | IDEA – Part B, Preschool* | 84.173A | <u>345,318</u> |
| | | Subtotal, IDEA – Part B, Preschool | | <u>345,810</u> |
| 166610012279016611 | 317 | IDEA – Part B, Preschool (Deaf)* | 84.173A | <u>8,861</u> |
| 163911012279013911 | 340 | IDEA – Part C, Early Childhood Intervention (Deaf)* | 84.181A | <u>2,849</u> |
| 145900187110001 | 258 | 2014-2015 PCSP Start-Up Grants | 84.282A | <u>(9,235)</u> |

*Grants awarded after December 26, 2014 and subject to Uniform Guidance.

Austin Independent School District

Exhibit K-1 Schedule of Expenditures of Federal Awards

Ten Month Period Ended June 30, 2016

(Continued)

| (1) | | | (2) | (3) |
|-------------------|--------------------------|--|---------------------------|--|
| Project Number | Data Control Codes | Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Expenditures Indirect Costs and Refunds |
| 156950167110003 | 265 | 21st Century Community Learning Centers CY 7 Yr 4 | 84.287C | \$ 2,042 |
| 156950197110003 | 265 | 21st Century Community Learning Centers CY 7 Yr 4* | 84.287C | 1,642,176 |
| 166950197110003 | 265 | 21st Century Community Learning Centers CY 8 Yr 2* | 84.287C | <u>1,901,974</u> |
| | | Subtotal, 21st Century Community Learning Centers | | <u>3,546,192</u> |
| 16671001227901 | 263 | Title III, Part A – LEP* | 84.365A | <u>1,932,325</u> |
| 16671003227901 | 263 | Title III, Part A – Immigrant | 84.365A | <u>145,843</u> |
| 15694501227901 | 255 | ESEA Title II, Part A Teacher and Principal Training and Recruiting | 84.367A | (820) |
| 16694501227901 | 255 | ESEA Title II, Part A Teacher and Principal Training and Recruiting* | 84.367A | <u>2,461,623</u> |
| | | Subtotal, ESEA Title II, Part A Teacher and Principal Training and Recruiting | | <u>2,460,803</u> |
| 69551402 | 289 | Summer School LEP | 84.369A | 29,963 |
| 69551502 | 289 | Summer School LEP* | 84.369A | <u>59,639</u> |
| | | Subtotal, Summer School LEP | | <u>89,602</u> |
| 146460037110003 | 289 | Texas Literacy Initiative | 84.371C | 79,295 |
| 156460037110003 | 289 | Texas Literacy Initiative* | 84.371C | 5,033,810 |
| 166460037110003 | 289 | Texas Literacy Initiative* | 84.371C | <u>3,236,969</u> |
| | | Subtotal, Texas Literacy Initiative | | <u>8,350,074</u> |
| 116107117110002 | 276 | Texas Title I Priority School Grants CY2 Extend – Lanier | 84.377A | (43,192) |
| 116107117110003 | 276 | Texas Title I Priority School Grants CY2 Extend – Martin | 84.377A | <u>568</u> |
| | | Subtotal, Texas Title I Priority School Grants | | <u>(42,624)</u> |
| | | Total Passed Through the Texas Education Agency | | <u>60,388,099</u> |

*Grants awarded after December 26, 2014 and subject to Uniform Guidance.

Austin Independent School District

Exhibit K-1 Schedule of Expenditures of Federal Awards

Ten Month Period Ended June 30, 2016

(Continued)

| (1) | | | (2) | (3) |
|-------------------|--------------------------|--|---------------------------|--|
| Project Number | Data Control Codes | Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Expenditures Indirect Costs and Refunds |
| | | Passed Through Austin Community College: | | |
| 1414AEL000 | 220 | Adult Ed. – English Literacy & Civics Education, Section 231* | 84.002A | \$ 203,925 |
| | | Total Passed Through the Austin Community College | | <u>203,925</u> |
| | | Passed Through the Education Service Center, Region 10: | | |
| 15-020 | 206 | McKinney-Vento Homeless Education | 84.196A | 9,361 |
| 16-049 | 206 | McKinney-Vento Homeless Education* | 84.196A | <u>146,589</u> |
| | | Total Passed Through the Education Service Center, Region 10 | | <u>155,950</u> |
| | | Total United States Department of Education | | <u>61,537,741</u> |
| | | <u>United States Department of Agriculture:</u> | | |
| HUSSC #927 | 289 | Healthier US School Challenge (HUSSC) Incentive Award* | 10.543 | 1,000 |
| | | Passed Through the Texas Department of Agriculture: | | |
| 71400701 | 240 | School Breakfast Program* | 10.553 | 6,093,176 |
| 71300701 | 240 | National School Lunch Program* | 10.555 | 20,055,816 |
| 71300701 | 240 | Commodities Supplemental Food Program* | 10.555 | 827,526 |
| 71300701 | 240 | After-School Snack Program* | 10.555 | 225,674 |
| 71300701 | 240 | Seamless Summer Feeding Option* | 10.555 | 417,393 |
| N/A | 240 | Child and Adult Care Food Program* | 10.558 | 1,319,054 |
| N/A | 240 | National School Lunch Program Training Assistance Grant* | 10.560 | 5,000 |
| N/A | 240 | 2016 Hunger Free Texans Travel Grant Award* | 10.560 | <u>362</u> |
| | | Total United States Department of Agriculture | | <u>28,945,001</u> |

*Grants awarded after December 26, 2014 and subject to Uniform Guidance.

Austin Independent School District

Exhibit K-1 Schedule of Expenditures of Federal Awards

Ten Month Period Ended June 30, 2016

(Continued)

| (1) | | | (2) | (3) |
|-------------------------|--------------------------|---|---------------------------|--|
| Project Number | Data Control Codes | Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Expenditures Indirect Costs and Refunds |
| | | <u>National Endowment for the Arts:</u> | | |
| 14-5100-7155 | 289 | Creative Learning Initiative | 45.024 | \$ 20,000 |
| 15-5100-7073 | 289 | Austin Digital Media for All* | 45.024 | 81,825 |
| | | Total National Endowment for the Arts | | 101,825 |
| | | <u>United States Department of Defense:</u> | | |
| N/A | 199 | R.O.T.C.* | 12.000 | 184,745 |
| | | Total United States Department of Defense | | 184,745 |
| | | <u>Department of Housing and Urban Development:</u> | | |
| | | Passed Through the City of Austin: | | |
| NI130000010 Amendment 2 | 289 | CDBG Teen Parent Child Care | 14.218 | 20,902 |
| NI130000010 Amendment 3 | 289 | CDBG Teen Parent Child Care* | 14.218 | 140,292 |
| | | Total Department of Housing and Urban Development | | 161,194 |
| | | <u>U.S. Department of Transportation:</u> | | |
| | | Passed Through the Texas Department of Transportation: | | |
| 2015-AISD-G-1YG-0073 | 289 | AISD Afterschool Driver Education Program | 20.600 | 1,267 |
| 2016-AISD-G-1YG-0187 | 289 | AISD Afterschool Driver Education Program* | 20.600 | 24,466 |
| | | Total U.S. Department of Transportation | | 25,733 |

*Grants awarded after December 26, 2014 and subject to Uniform Guidance.

Austin Independent School District

Exhibit K-1 Schedule of Expenditures of Federal Awards

Ten Month Period Ended June 30, 2016

(Continued)

| (1) | | | (2) | (3) |
|--------------------|--------------------------|---|---------------------------|--|
| Project Number | Data Control Codes | Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Expenditures Indirect Costs and Refunds |
| | | <u>United States Department of Health and Human Services:</u> | | |
| | | Passed Through the Austin Community College: | | |
| 1414AEL000 | 223 | Adult Basic Education | 93.558 | \$ 672 |
| 1414AEL000 | 223 | Adult Basic Education* | 93.558 | <u>94,055</u> |
| | | Subtotal, Adult Basic Education | | <u>94,727</u> |
| | | Passed Through Child, Inc.: | | |
| N/A | 205 | Head Start Collaboration* | 93.600 | <u>1,118,470</u> |
| | | Passed Through the Texas Health and Human Services Commission: | | |
| 529-15-0063-00006 | 289 | Refugee School Impact Discretionary Grant | 93.576 | (430) |
| 529-15-0063-00006A | 289 | Refugee School Impact Discretionary Grant* | 93.576 | <u>116,654</u> |
| | | Subtotal, Refugee School Impact Discretionary Grant | | <u>116,224</u> |
| | | Passed Through the Texas Department of State Health Services: | | |
| 529-07-0157-00112 | 199 | Medicaid Administration* | 93.778 | <u>291,022</u> |
| | | Total U.S Department of Health and Human Services | | <u>1,620,443</u> |
| | | <u>Corporation for National & Community Service:</u> | | |
| | | Passed Through OneStar National Service Commission: | | |
| 13WCHTX0010001 | 289 | AISD School Turnaround AmeriCorps Initiative | 94.006 | (520) |
| 13WCHTX0010001 | 289 | AISD School Turnaround AmeriCorps Initiative* | 94.006 | <u>174,194</u> |
| | | Subtotal, AISD School Turnaround AmeriCorps Initiative | | <u>173,674</u> |
| | | Total Federal Assistance | | <u>\$ 92,750,356</u> |

*Grants awarded after December 26, 2014 and subject to Uniform Guidance.

Austin Independent School District

Notes to the Schedule of Expenditures of Federal Awards

Ten Month Period Ended June 30, 2016

1. General

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting.

Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

2. Basis of Accounting

The accounting and financial reporting treatment applied to Special Revenue Funds is the current financial resources measurement focus. All federal grant funds were accounted for in the Special Revenue Fund, except for indirect cost reimbursement, ROTC, and the Federal Work/Study Program, which are in the General Fund. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Special Revenue Fund. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (i.e., both measurable and available) and expenditures in the accounting period in which the fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when matured, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financing resources. Federal grant funds are considered to be earned as soon as all eligibility requirements imposed by the provider are met and expenditures have been incurred and, accordingly, when such funds are received in advance, they are recorded as unearned revenues until earned.

The expenditures in the accompanying Schedule of Expenditures of Federal Awards are presented using the modified accrual basis of accounting, with the exception of the Nutrition Program. Expenditures in this program are shown in the accompanying Schedule of Expenditures of Federal Awards in an amount equal to revenue for balancing purposes only. All other expenditures are recognized following, as applicable, either the cost principles in the *OMB Compliance Supplement*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. General Fund Reimbursements

The General Fund receives reimbursement from the federal government for the following activities, which are not required to be presented on the Schedule of Expenditures of Federal Awards: Medicaid reimbursement and school health and related services.

Austin Independent School District

Notes to the Schedule of Expenditures of Federal Awards

Ten Month Period Ended June 30, 2016

4. Noncash Federal Awards

The District received noncash awards in the form of food commodities totaling \$827,526 for the ten month period ended June 30, 2016.

5. Indirect Costs

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

Austin Independent School District

Exhibit L-1 - Required Responses to Selected School First Indicators

June 30, 2016

| Data Control Codes | | Responses |
|-----------------------------------|---|------------------|
| SF2 | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end? | No |
| SF4 | Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole? | Yes |
| SF5 | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? | No |
| SF6 | Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? | No |
| SF7 | Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? | Yes |
| SF8 | Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship? | Yes |
| SF10 | Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end | \$ - |
| SF11 | Net Pension Assets (1920) at fiscal year-end. | \$ - |
| SF12 | Net Pension Liabilities (2540) at fiscal year-end. | \$ 108,918,334 |
| SF13 | Pension Expense (6147) at fiscal year-end. | \$ 14,092,021 |