

**Austin Independent School District**

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

Year Ended August 31, 2015

# Austin Independent School District

Year Ended August 31, 2015

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# Austin Independent School District

Year Ended August 31, 2015

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# Introductory Section

**Austin Independent School District**

**Certificate of Board**

August 31, 2015

Austin Independent School District                      Travis                      227-901-13  
Name of School District                      County                      County District Number

We, the undersigned, certify that the attached annual financial report of the above-named school district was reviewed and (check one)  approved \_\_\_\_\_ disapproved for the year ended August 31, 2015 at a meeting of the Board of Trustees of such school district on the 1<sup>st</sup> day of February, 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 year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

#### **AUSTIN**

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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 August 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 18 to the financial statements, effective September 1, 2014, the District adopted Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, An Amendment of GASB Statement No. 68*. As discussed in Note 18 to the financial statements, the prior year’s reported net position has been restated for the adoption of GASB Statement of No. 68. 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 the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133), 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 is 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 January 19, 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  
January 19, 2016

# Austin Independent School District

## Management's Discussion and Analysis

August 31, 2015

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 fiscal year ended August 31, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

### 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 fiscal year ended August 31, 2015. Net position was \$237.5 million. Net investment in capital assets was \$141.5 million. The District's restricted net position was \$52.7 million. Unrestricted net position was \$43.3 million.
- During the year, the District's expenses were \$17.2 million less than the \$1,147.0 million generated in taxes and other revenues for governmental activities. Expenditures totaled \$956.6 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 \$973.8 million.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$191.0 million, or 21% of the total general fund expenditures.
- The District issued \$150.4 million in bonds during fiscal year 2014-2015, and ended the year with \$20 million outstanding commercial paper.
- Effective September 1, 2014, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. As discussed in Note 18 to the financial statements, the prior year's reported net position has been restated for the adoption of GASB Statement No. 68. However, the net position at the beginning of fiscal year 2014 was not restated as actuarial data required for the restatement was not available.

# Austin Independent School District

## Management's Discussion and Analysis

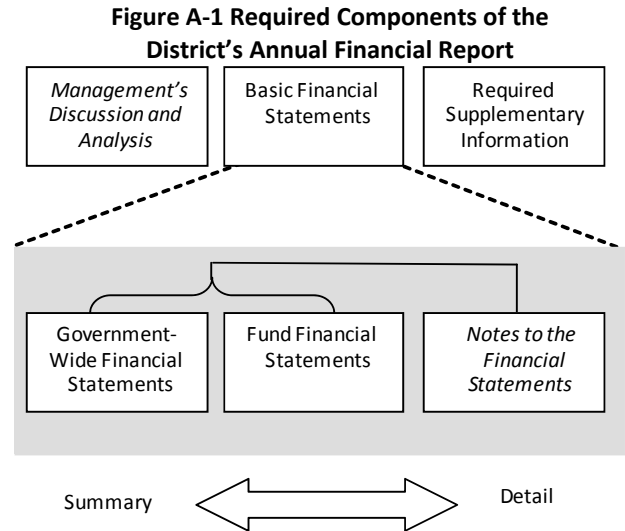
August 31, 2015

### 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

August 31, 2015

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

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

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

# Austin Independent School District

## Management's Discussion and Analysis

August 31, 2015

### **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

August 31, 2015

- *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 August 31, 2015.

# Austin Independent School District

## Management's Discussion and Analysis

August 31, 2015

### Financial Analysis of the District as a Whole

**Net Position** – The District's combined net position was approximately \$237.5 million at August 31, 2015. 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>2015</u>	<u>2014</u>	
Current and other assets	\$ 432.6	\$ 395.2	9%
Capital assets	<u>952.6</u>	<u>915.6</u>	4%
<b>Total assets</b>	<u>1,385.2</u>	<u>1,310.8</u>	6%
Deferred loss on refunding	8.7	-	n/a
Deferred outflow for TRS pension liability	<u>17.4</u>	<u>-</u>	n/a
<b>Total deferred outflows of resources</b>	<u>26.1</u>	<u>-</u>	n/a
Current liabilities	241.9	185.1	31%
Long-term liabilities	<u>829.8</u>	<u>789.4</u>	5%
<b>Total liabilities</b>	<u>1,142.5</u>	<u>974.5</u>	17%
Deferred inflow for TRS pension liability	<u>31.3</u>	<u>-</u>	n/a
<b>Total deferred inflows of resources</b>	<u>31.3</u>	<u>-</u>	n/a
Net position:			
Net investment in capital assets	141.5	94.9	49%
Restricted	52.7	48.8	8%
Unrestricted	<u>43.3</u>	<u>192.5</u>	(78%)
<b>Total net position, prior to restatement</b>	<u>237.5</u>	<u>336.2</u>	
Restatement	<u>-</u>	<u>(115.9)</u>	
<b>Total net position, as restated</b>	<u>\$ 237.5</u>	<u>\$ 220.3</u>	8%

# Austin Independent School District

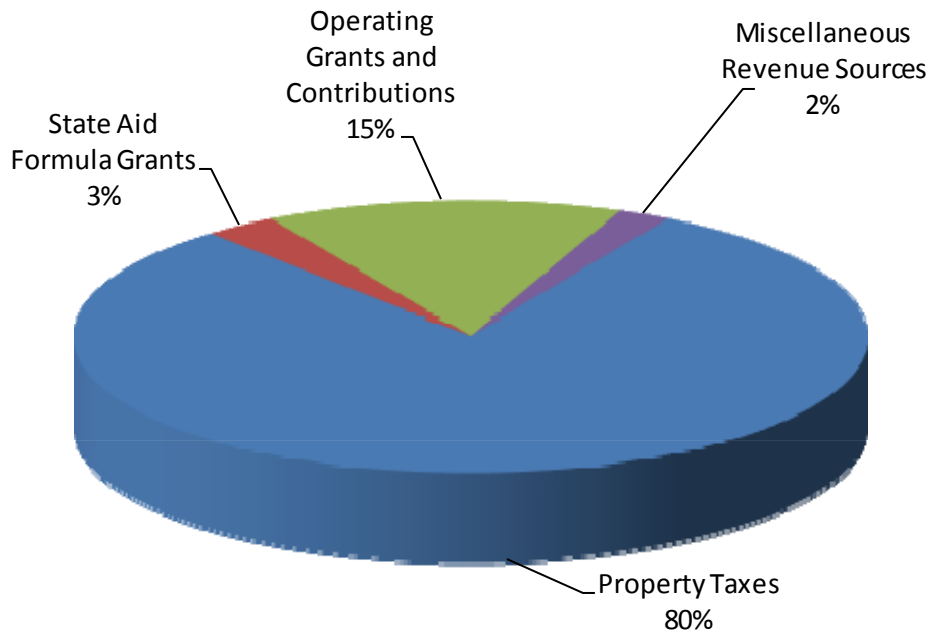
## Management's Discussion and Analysis

August 31, 2015

### Changes in Net Position

The District's total revenues were \$1,147.0 million. A significant portion, 80%, of the District's revenue comes from taxes; 3% comes from state aid formula grants, while 15% 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 2015**



The total cost of all programs was \$1,129.8 million and \$1,104.5 million for the years ended August 31, 2015 and 2014, respectively. When adjusted for the \$183.6 million in expenses in 2015 and \$125.9 million in expenses in 2014 related to Chapter 41 and other pass-through costs, 72.1% and 69.5%, respectively, of these costs are for instructional and student services.

The total of all program and service costs for school leadership was 6.4% in 2015 and 6.5% in 2014, and 9.1% and 8.9% in 2015 and 2014, respectively, for plant maintenance and operations (including security services).



# Austin Independent School District

## Management's Discussion and Analysis

August 31, 2015

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

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 6.2	\$ 5.7	9%
Operating grants and contributions	167.1	178.7	(6%)
General revenues:			
Property taxes	921.2	836.8	10%
State aid – formula	34.1	35.3	(3%)
Investment earnings	0.8	0.8	0%
Other	<u>17.6</u>	<u>11.8</u>	49%
Total revenues	<u>1,147.0</u>	<u>1,069.0</u>	7%
<b>Expenses</b>			
Instruction and instructional related	505.5	507.2	0%
Instructional resources and media related	13.8	13.5	2%
Curriculum and staff development	30.4	29.5	3%
Instructional leadership	16.8	16.4	2%
School leadership	55.6	55.5	0%
Guidance, counseling, and evaluation services	26.9	26.4	2%
Social work services	5.0	5.3	(6%)
Health services	6.8	6.5	5%
Student transportation	33.6	33.1	2%
Food services	42.6	42.0	1%
Extracurricular activities	17.9	17.1	5%
General administration	19.1	18.8	2%
Plant maintenance and operations	93.2	88.2	6%
Security and monitoring services	10.0	9.7	3%
Data processing services	19.9	25.6	(22%)
Community services	17.6	17.0	4%
Debt service	25.0	61.7	(59%)
Payments to fiscal agent/member districts – shared service	183.6	125.9	46%
Other governmental charges	5.3	4.2	26%
Depreciation – exclusive of functional amounts	<u>1.2</u>	<u>0.9</u>	33%
Total expenses	<u>1,129.8</u>	<u>1,104.5</u>	2%
Change in net position	17.2	(35.5)	(149%)
Net position at beginning of year	<u>220.3</u>	<u>371.8</u>	(41%)
Net position at end of year, before restatement	<u>237.5</u>	<u>336.2</u>	
Restatement	-	(115.9)	(100%)
Net position at end of year, as restated	<u>\$ 237.5</u>	<u>\$ 220.3</u>	8%

# Austin Independent School District

## Management’s Discussion and Analysis

August 31, 2015

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 2015 was \$1,129.8 million and, in 2014, was \$1,104.5 million.
- However, the amount the District’s taxpayers paid for these activities through property taxes was only \$921.2 million in 2015 and \$836.8 million in 2014.
- Those who directly benefited paid some costs of the programs (\$6.2 million in 2015 and \$5.7 million in 2014), with grants and contributions (\$167.0 million in 2015 and \$178.7 million in 2014) 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>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
Instruction	\$ 549.7	\$ 550.2	(0%)	\$ 466.7	\$ 458.8	2%
School leadership	72.3	71.9	1%	64.6	63.1	2%
Plant maintenance and operations	93.2	88.2	6%	91.5	86.3	6%

## 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 \$236.6 million. Approximately 81% percent of this total amount (\$191.0 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

August 31, 2015

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 \$217.7 million. Of this amount, \$18.4 million is assigned for various projects, and \$8.3 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 24% of total fund expenditures. The fund balance decreased by \$3.2 million during the current fiscal year period.

The Debt Service Fund had an increase in fund balance of \$4.4 million during the current year to bring the year end fund balance to \$48.2 million. The increase is primarily the result of the refunding bond issuances of \$150.4 million during the year, including \$23.1 million of premium related to the bonds. These increases are offset by \$102.7 million in payments to the escrow agent and a transfer of \$70.0 million to the Capital Projects Fund to retire commercial paper.

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 \$37.0 million, due to outstanding payables related to construction costs of \$24.5 million at August 31, 2015. 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 approximately \$1.1 million, or less than a quarter of a percent lower than anticipated.
  - State revenue including the Foundation School Program and TRS on behalf payments were almost \$2.0 million less than anticipated.
  - Federal and grant indirect cost earnings was \$474,905 less than anticipated.

#### *Expenditures*

- A net favorable variance of almost \$11 million in expenditures was due to the following variances:
  - Employee payroll, payroll taxes, and benefits, including the related TRS on behalf payment, were \$6.5 million less than budgeted.
  - Professional and contracted services were \$4.9 million less than estimated.
  - The District spent \$0.65 million more on supplies and materials than budgeted. This includes software, equipment, and general supplies.
  - The District spent \$0.39 million less on other operating costs. This includes employee travel and insurance and bonding costs.
  - The District spent \$0.22 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 \$0.08 million.

# Austin Independent School District

## Management's Discussion and Analysis

August 31, 2015

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At August 31, 2015, the District had invested \$952.6 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>2015</u>	<u>2014</u>	
Land	\$ 70.7	\$ 67.4	5%
Buildings and improvements	858.7	826.0	4%
Furniture fixtures and equipment	<u>23.2</u>	<u>22.2</u>	5%
	<u>\$ 952.6</u>	<u>\$ 915.6</u>	4%

During the District's fiscal year 2014-2015, capital spending totaled \$95.4 million in building and improvements and capital equipment. At August 31, 2015, the District is committed under contracts in the amount of approximately \$29.7 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 August 31, 2015, the District had \$860.5 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. Up until June 11, 2015, the notes were supported with a joint 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 \$20 million Commercial Paper outstanding in the Capital Projects Fund as of August 31, 2015.

# Austin Independent School District

## Management’s Discussion and Analysis

August 31, 2015

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

	Governmental Activities		Percentage Change
	2015	2014	
Bonds payable	\$ 856.9	\$ 863.1	(1%)
Notes and leases payable	3.6	3.6	1%
	\$ 860.5	\$ 866.7	(1%)

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 2014-2015 school year were \$75.5 billion as of May 7, 2015, an increase of 12.2% from the previous year. The values for the 2015-2016 school year, as of August 24, 2015, were at \$81.3 billion, an increase of 14.7% from 2014-2015. The first six week’s enrollment for 2015-2016 was 83,628 a decrease of 1.1% from 2014-2015. Funding from the state is based on Average Daily Attendance (“ADA”). ADA for 2014-2015 was 77,359, a decrease of 621, or 0.8% from the prior year. For 2015-2016, the District projects an estimated ADA of 76,493 which represents a 1.1% decrease from the 2014-2015 school year.

The actual cost per student for 2014-2015 was \$8,611 and the projected estimated cost per student for 2015-2016 is \$8,676. The cost per student for 2014-2015 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 2015-2016 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 2014-2015 to 2015-2016 is attributed to a combination of increases in the General Fund budget (driven largely by the \$14.7 million salary increase) combined with decreases in student enrollment.

#### *Increases*

- A 3% pensionable increase over the District’s fiscal year 2014-15 annualized salary for fiscal year 2015-16. (\$14.7 million).
- Increase to meet statutorily required or contractually obligated programs (\$3.4 million).
- Baseline increases, including employee health benefits, insurance and bonding costs, and tax collection and appraisal fees (\$2.7 million). Increase in Chapter 41 payment estimate (\$97.2 million).
- Board Consent on Blazier-Doss-Wooten Relief Plan (\$116,830).

# Austin Independent School District

## Management's Discussion and Analysis

August 31, 2015

- Districtwide Marketing Plan to increase student enrollment and position AISD as the city's premier choice in K-12 (\$797,138).
- Professional Development – Campus Police (\$5,000).
- Change bell time at LBJ and HB5 Student Sharing Transportation (\$67,500).

### *Decreases*

- Reduction of payroll costs resulting from decrease in enrollment (\$13.8 million).
- Decrease in Strategic Compensation (\$2.2 million).
- Central Department Budget Reduction (\$2.3 million).
- Decrease in Teacher Reserved Units (\$1.0 million).
- Supplemental Support transition to grants (High Dosage Tutoring) (\$1.5 million).
- Custodian Sq. Ft. Adjustments (Est. 90 FTEs) (\$938,499).
- Energy savings, reduction in painting and vehicle services (\$610,000).
- Curriculum Writing Cadre Reduction (\$593,200).
- Increase in Field Trip Reimbursement – Negative Expenditure Line Item (\$450,000).
- Transfer software maintenance to IMA funds (\$265,775).
- Election Costs (\$160,000).
- Summer program reduction for nursing services already budgeted and tutoring support (\$60,000).
- Community In Action Network (\$30,000). This amount, however was reinstated per a Board request, after the budget was adopted.
- Reduction in use of emergency pagers (\$40,000).

At the end of the 2014-2015 school year, the District had a decrease of \$3.2 million in the General Fund balance, bringing the District's fund balance from \$221.0 million to \$217.7 million as of August 31, 2015. Of this amount, \$8.3 million is nonspendable, \$18.4 million is assigned, and \$191.0 million is unassigned. For the 2015-2016 school year, General Fund revenues are projected to increase approximately 13.7% and expenditures are projected to increase 10.5%. The District anticipates having a surplus of revenues over expenditures by \$931,068 at the end of the 2015-2016 school year. For the 2014-2015 and 2015-2016 school years, recapture payments totaled \$181.1 million and estimated at \$272.8 million, respectively. The District's maintenance and operation tax rate is \$1.079 per hundred dollars of assessed value for 2014-2015 and remained the same for the 2015-2016 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

August 31, 2015

<b>Data Control Codes</b>		<b>Governmental Activities</b>
	<b>Assets</b>	
1110	Cash, cash equivalents, and temporary investments	\$ 391,899,639
1225	Property taxes receivable – net	7,822,864
1240	Due from other governments	19,356,412
1260	Receivables from external parties	736,698
1290	Other receivables – net	993,935
1310	Inventories	3,207,475
1410	Prepays and other assets	8,623,479
	Capital assets:	
1510	Land	70,679,124
1520	Buildings and improvements – net	782,459,651
1530	Furniture and equipment – net	23,240,181
1580	Construction in progress	76,228,054
1000	<b>Total assets</b>	<b>1,385,247,512</b>
	<b>Deferred Outflows of Resources</b>	
1701	Deferred loss on refunding	8,668,723
1705	Deferred outflow for TRS pension liability	17,437,431
	<b>Total deferred outflows of resources</b>	<b>26,106,154</b>
	<b>Liabilities</b>	
2110	Accounts payable	50,016,698
2120	Commercial paper	20,000,000
2150	Payroll deductions and withholdings	13,403,153
2160	Accrued wages payable	5,206,507
2170	Payables to external parties	5,909
2180	Due to other governments	72,483,623
2200	Accrued expenses	2,992,054
2300	Unearned revenues	2,211,626
	Noncurrent liabilities:	
2400	Due within one year	75,629,444
2500	Due in more than one year	798,274,313
2500	Net pension liability – District’s share	102,327,301
2000	<b>Total liabilities</b>	<b>1,142,550,628</b>
	<b>Deferred Inflows of Resources</b>	
2605	Deferred inflow for TRS pension liability	31,302,225
	<b>Total deferred inflows of resources</b>	<b>31,302,225</b>
	<b>Net Position</b>	
3200	Net investment in capital assets	141,515,416
3800	Restricted for:	
	Retirement of long-term debt	48,169,616
	Federal and state funds grants	4,550,895
3900	Unrestricted	43,264,886
3000	<b>Total net position</b>	<b>\$ 237,500,813</b>

*The accompanying notes are an integral part of this statement.*



# Austin Independent School District

## Exhibit B-1 Statement of Activities

Year Ended August 31, 2015

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Government activities:				
11	Instruction	\$ 505,494,951	\$ 1,242,470	\$ 63,462,381	\$ (440,790,100)
12	Instructional resources and media services	13,797,834	-	813,266	(12,984,568)
13	Curriculum and instructional staff development	30,406,021	-	17,512,996	(12,893,025)
21	Instructional leadership	16,763,657	-	3,312,257	(13,451,400)
23	School leadership	55,575,630	-	4,429,954	(51,145,676)
31	Guidance, counseling, and evaluation services	26,888,141	-	4,050,090	(22,838,051)
32	Social work services	5,038,697	-	516,079	(4,522,618)
33	Health services	6,853,096	-	22,180,025	15,326,929
34	Student (pupil) transportation	33,617,548	-	1,047,840	(32,569,708)
35	Food services	42,557,473	-	37,310,898	(5,246,575)
36	Curricular/extracurricular activities	17,872,326	760,197	568,392	(16,543,737)
41	General administration	19,070,099	1,623,120	1,055,160	(16,391,819)
51	Plant maintenance and operations	93,176,143	-	1,716,608	(91,459,535)
52	Security and monitoring services	9,961,903	-	433,322	(9,528,581)
53	Data processing services	19,931,330	-	1,222,308	(18,709,022)
61	Community services	17,648,983	2,584,159	7,389,036	(7,675,788)
71	Interest on long-term debt	25,010,656	-	-	(25,010,656)
91	Contracted instructional services between schools	181,118,956	-	-	(181,118,956)
93	Payments related to shared services arrangements	2,526,261	-	-	(2,526,261)
99	Other intergovernmental charges	5,267,148	-	-	(5,267,148)
99	Depreciation – exclusive of functional amounts	1,237,813	-	-	(1,237,813)
TG	Total governmental activities	<u>1,129,814,666</u>	<u>6,209,946</u>	<u>167,020,612</u>	<u>(956,584,108)</u>
TP	Total primary government	<u>\$ 1,129,814,666</u>	<u>\$ 6,209,946</u>	<u>\$ 167,020,612</u>	<u>(956,584,108)</u>
	General revenues:				
MT	Property taxes – levied for general purposes				813,457,542
DT	Property taxes – levied for debt service				107,788,597
SF	State aid – formula grants				34,132,093
GC	Grants and contributions not restricted to specific programs				4,605,140
IE	Investment earnings				778,009
MI	Miscellaneous				13,015,643
TG	Total general revenues				<u>973,777,024</u>
CN	Change in net position				17,192,916
NB	Net position at beginning of year – as previously reported				336,245,158
PA	Restatement required by GASB Statement No. 68 (Note 18)				<u>(115,937,261)</u>
NB	Net position at beginning of year, as restated				<u>220,307,897</u>
NE	Net position at end of year				<u>\$ 237,500,813</u>

The accompanying notes are an integral part of this statement.

# Austin Independent School District

## Exhibit C-1 Balance Sheet – Governmental Funds

August 31, 2015

<u>Data Control Codes</u>		<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
1110	Cash, cash equivalents, and temporary investments	\$ 281,738,359	\$ 48,219,556	\$ 25,450,149	\$ 13,049,034	\$ 368,457,098
1220	Property taxes – delinquent	30,666,690	4,316,196	-	-	34,982,886
1230	Allowance for uncollectible taxes	(23,799,154)	(3,360,868)	-	-	(27,160,022)
1240	Due from other governments	415,443	-	-	18,940,969	19,356,412
1260	Due from other funds	38,820,805	35,420	449	-	38,856,674
1290	Other receivables	771,517	23,013	-	199,285	993,815
1300	Inventories	395,152	-	-	2,724,358	3,119,510
1410	Prepays and other assets	7,930,082	-	-	480,477	8,410,559
1000	<b>Total assets</b>	<u>\$ 336,938,894</u>	<u>\$ 49,233,317</u>	<u>\$ 25,450,598</u>	<u>\$ 35,394,123</u>	<u>\$ 447,016,932</u>
<b>Liabilities</b>						
2110	Accounts payable	\$ 21,497,277	\$ 83,294	\$ 24,496,650	\$ 3,300,492	\$ 49,377,713
2120	Loans payable	-	-	20,000,000	-	20,000,000
2150	Payroll deductions and withholdings	13,403,153	-	-	-	13,403,153
2160	Accrued wages payable	3,357,332	-	89,445	739,542	4,186,319
2170	Due to other funds	5,498,557	25,000	17,908,148	17,369,551	40,801,256
2180	Due to other governments	68,568,999	-	-	3,914,624	72,483,623
2300	Unearned revenues	23,112	79	-	2,314,184	2,337,375
2000	<b>Total liabilities</b>	<u>112,348,430</u>	<u>108,373</u>	<u>62,494,243</u>	<u>27,638,393</u>	<u>202,589,439</u>
<b>Deferred inflows of resources</b>						
2600	Unavailable revenue – property taxes	6,867,536	955,328	-	-	7,822,864
	<b>Total deferred inflows of resources</b>	<u>6,867,536</u>	<u>955,328</u>	<u>-</u>	<u>-</u>	<u>7,822,864</u>
<b>Fund Balances</b>						
3410	Nonspendable	8,325,234	-	-	3,204,835	11,530,069
3490	Restricted	-	48,169,616	-	4,550,895	52,720,511
3500	Assigned	18,430,045	-	-	-	18,430,045
3600	Unassigned	190,967,649	-	(37,043,645)	-	153,924,004
3000	<b>Total fund balances</b>	<u>217,722,928</u>	<u>48,169,616</u>	<u>(37,043,645)</u>	<u>7,755,730</u>	<u>236,604,629</u>
4000	<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 336,938,894</u>	<u>\$ 49,233,317</u>	<u>\$ 25,450,598</u>	<u>\$ 35,394,123</u>	<u>\$ 447,016,932</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

August 31, 2015

Total fund balances – Governmental Funds balance sheet \$ 236,604,629

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

<u>Data Control Codes</u>		
1	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	952,607,010
2	Property Taxes from 2014 received and earned in 2015.	125,749
3	Amount of interest on debt payable in August is required to be recognized in the statement of net position.	(2,992,054)
4	Revenue in governmental activities is recognized in the period earned.	7,822,864
5	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.	12,381,077
6	Bonds and loans payable are not due and payable in the current period and, therefore, are not reported in the funds.	(860,512,286)
7	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.	(1,012,804)
8	Unamortized loss on bond refunding in governmental activities, not reported in the governmental funds.	8,668,723
9	Recognition of the District's proportionate share of the net pension liability required by GASB Statement. No 68 (\$102,327,301), a deferred inflow of resources (\$31,302,225), and a deferred outflow of resources (\$17,437,431).	<u>(116,192,095)</u>
19	Net position of governmental activities	<u><u>\$ 237,500,813</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

Year Ended August 31, 2015

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
5700	Local and intermediate sources	\$ 818,924,395	\$ 108,192,795	\$ 8,853	\$ 18,371,257	\$ 945,497,300
5800	State program revenues	62,523,918	-	-	7,137,190	69,661,108
5900	Federal program revenues	24,204,869	912,600	-	101,330,541	126,448,010
5020	Total revenues	<u>905,653,182</u>	<u>109,105,395</u>	<u>8,853</u>	<u>126,838,988</u>	<u>1,141,606,418</u>
<b>Expenditures</b>						
Current:						
0011	Instruction	417,253,355	-	-	44,637,217	461,890,572
0012	Instructional resources and media services	10,670,892	-	-	417,332	11,088,224
0013	Curriculum and instructional staff development	12,683,581	-	-	17,555,646	30,239,227
0021	Instructional leadership	13,513,543	-	-	3,135,581	16,649,124
0023	School leadership	49,868,639	-	-	2,461,494	52,330,133
0031	Guidance, counseling, and evaluation services	23,035,089	-	-	3,306,226	26,341,315
0032	Social work services	4,566,336	-	-	414,578	4,980,914
0033	Health services	5,694,259	-	-	827,807	6,522,066
0034	Student (pupil) transportation	29,067,082	-	5,950,589	-	35,017,671
0035	Food services	-	-	-	38,550,638	38,550,638
0036	Curricular/extracurricular activities	15,751,680	-	-	207,976	15,959,656
0041	General administration	17,689,045	-	-	537,002	18,226,047
0051	Plant maintenance and operations	85,939,696	-	4,108,127	273,231	90,321,054
0052	Security and monitoring services	9,770,847	-	-	19,147	9,789,994
0053	Data processing services	17,207,584	-	3,895,672	736,114	21,839,370
0061	Community services	4,973,026	-	-	12,512,353	17,485,379
0071	Principal on long-term debt	401,624	67,177,633	-	-	67,579,257
0072	Interest on long-term debt	105,461	36,485,920	-	-	36,591,381
0073	Bond issuance costs and fees	-	1,713,547	-	-	1,713,547
0081	Capital outlay	2,212,410	-	81,625,638	2,413,338	86,251,386
0091	Contracted instructional services between schools	181,118,956	-	-	-	181,118,956
0093	Payments related to shared services arrangements	2,526,261	-	-	-	2,526,261
0099	Other intergovernmental charges	5,267,148	-	-	-	5,267,148
6030	Total expenditures	<u>909,316,514</u>	<u>105,377,100</u>	<u>95,580,026</u>	<u>128,005,680</u>	<u>1,238,279,320</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(3,663,332)</u>	<u>3,728,295</u>	<u>(95,571,173)</u>	<u>(1,166,692)</u>	<u>(96,672,902)</u>
<b>Other Financing Sources and (Uses)</b>						
7911	Refunding bonds issued	-	150,405,000	-	-	150,405,000
7914	Noncurrent loan proceeds	425,852	-	-	-	425,852
7915	Transfers in	-	-	70,000,000	-	70,000,000
7916	Premium or discount on issuance of bonds	-	23,085,488	-	-	23,085,488
8911	Transfers out	-	(70,000,000)	-	-	(70,000,000)
8940	Payment to bond refunding escrow agent	-	(102,745,079)	-	-	(102,745,079)
7080	Total other financing sources and (uses)	<u>425,852</u>	<u>745,409</u>	<u>70,000,000</u>	<u>-</u>	<u>71,171,261</u>
1200	Net change in fund balances	<u>(3,237,480)</u>	<u>4,473,704</u>	<u>(25,571,173)</u>	<u>(1,166,692)</u>	<u>(25,501,641)</u>
0100	Fund balances at beginning of year	<u>220,960,408</u>	<u>43,695,912</u>	<u>(11,472,472)</u>	<u>8,922,422</u>	<u>262,106,270</u>
3000	Fund balances at end of year	<u>\$ 217,722,928</u>	<u>\$ 48,169,616</u>	<u>\$ (37,043,645)</u>	<u>\$ 7,755,730</u>	<u>\$ 236,604,629</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

Year Ended August 31, 2015

Net change in fund balances – total Governmental Funds	\$ (25,501,641)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$95,404,106) exceeded depreciation expense (\$58,377,680) and net asset removal (\$2,369) in the current period.	37,024,057
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 (\$174,937,828) exceeded debt and loan proceeds (\$150,830,852).	24,106,976
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 (\$23,085,488) exceeded amortization (\$5,116,818).	(17,968,670)
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 (\$12,058) and deferred losses on refunding (\$8,668,723).	8,680,781
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 2015 and 2014, as well as amounts from 2014 received and earned in 2015.	272,756
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 income.	(9,110,163)
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 2015 and 2014.	(56,346)
The implementation of GASB Statement No. 68 required that certain expenditures be de-expended and recorded as deferred resources. Contributions made after the measurement date (\$9,203,518) and the District's share of pension expense (\$9,458,352) are not deferred resources of the governmental funds.	<u>(254,834)</u>
Change in net position of governmental activities – statement of activities	<u>\$ 17,192,916</u>

*The accompanying notes are an integral part of this statement.*

# Austin Independent School District

## Exhibit D-1 Statement of Net Position – Proprietary Funds

August 31, 2015

<u>Data Control Codes</u>	<u>Governmental Activities – Internal Service Fund</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 526,955
Temporary investments	22,915,586
Due from other funds	5,587,294
Other receivable	120
Inventories	87,965
Other assets	<u>212,920</u>
Total current assets	<u>29,330,840</u>
<b>Total assets</b>	<b>\$ <u>29,330,840</u></b>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 615,285
Accrued expenditures	31,084
Due to other funds	2,911,923
Claims payable – due within one year	<u>9,300,000</u>
Total current liabilities	<u>12,858,292</u>
Noncurrent liabilities:	
Claims payable – due in more than one year	<u>4,091,471</u>
<b>Total liabilities</b>	<b><u>16,949,763</u></b>
<b>Unrestricted Net Position</b>	
<b>Total net position</b>	<b>\$ <u><u>12,381,077</u></u></b>

*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

Year Ended August 31, 2015

<u>Data Control Codes</u>		<u>Governmental Activities – Internal Service Fund</u>
	<b>Operating Revenues</b>	
5700	Local and intermediate sources	\$ <u>76,352,511</u>
	<b>Total revenues</b>	<u>76,352,511</u>
	<b>Operating Expenses</b>	
6400	Other operating expenses	<u>85,476,633</u>
6030	<b>Total expenses</b>	<u>85,476,633</u>
	Operating loss	(9,124,122)
	<b>Nonoperating Revenues</b>	
	Investment earnings	<u>13,959</u>
	<b>Total nonoperating revenues</b>	<u>13,959</u>
	Change in net position	(9,110,163)
0100	Net position at beginning of year	<u>21,491,240</u>
3300	Net position at end of year	\$ <u><u>12,381,077</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

Year Ended August 31, 2015

	<u><b>Governmental Activities – Internal Service Fund</b></u>
<b>Cash Flows From Operating Activities</b>	
Payments to suppliers	\$ (8,637,148)
Payments to employee salaries and benefits	(1,333,598)
Payments from other funds	73,089,426
Claims paid	<u>(72,948,993)</u>
Net cash used in operating activities	<u>(9,830,313)</u>
<b>Cash Flows From Investing Activities</b>	
Proceeds from sales and maturities of investments	63,254,309
Outlays for purchase of investments	(53,014,610)
Interest income	<u>13,959</u>
Net cash provided by investing activities	<u>10,253,658</u>
Net increase in cash and cash equivalents	423,345
Cash and cash equivalents at beginning of year	<u>103,610</u>
Cash and cash equivalents at end of year	<u><u>\$ 526,955</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used In Operating Activities</b>	
Operating loss	\$ (9,124,122)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Changes in:	
Increase in due from other funds	(5,385,591)
Increase in receivables	(120)
Decrease in inventory	1,636
Increase in other assets	(10,981)
Increase in accounts payable and accrued expenditures	522,286
Increase in due to other funds	2,122,626
Increase in claims payable	<u>2,043,953</u>
Net cash used in operating activities	<u><u>\$ (9,830,313)</u></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

August 31, 2015

<u>Data Control Codes</u>		<u>Agency Funds</u>
	<b>Assets</b>	
1110	Cash and cash equivalents	\$ 6,946,358
	Temporary investments	6,322,505
	Due from other funds	5,909
	Other receivables	31,662
	Other assets	<u>14,637</u>
1000	<b>Total assets</b>	\$ <u><u>13,321,071</u></u>
	<b>Liabilities</b>	
	Accounts payable	\$ 737,230
	Due to other governments	3,385,470
	Due to other funds	736,698
2190	Due to student groups	<u>8,461,673</u>
2000	<b>Total liabilities</b>	\$ <u><u>13,321,071</u></u>

*The accompanying notes are an integral part of this statement.*

# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### 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.

### 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

August 31, 2015

### 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

August 31, 2015

### 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

August 31, 2015

### 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

August 31, 2015

### 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

August 31, 2015

### 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.

#### 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 believes these investments meet the definition of Rule 2a7-like, as defined in GASB Statement No. 59. 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 per share. The District carries investments in debt securities at fair value based on quoted prices.

#### 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.

# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### 3. Summary of Significant Accounting Policies (continued)

#### 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 August 31, 2015 totaled \$992,160.

#### 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

August 31, 2015

### 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 August 31, 2015. 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 year ended August 31, 2015, 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 \$350,000 per claim.

# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### 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 August 31 and encumbrances outstanding at that time are either cancelled or appropriately provided for in the subsequent year's budget.

Outstanding encumbrances at August 31, 2015 that were subsequently provided for in the 2016 budget as September and October amendments for Board approval totaled \$8,926,799 in the General Fund, \$43,204,821 in the Capital Projects Fund, and \$7,970,036 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

August 31, 2015

### 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

With state law changes that push the start of school to later in August, the actual number of days most employees work in August has decreased. 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 August, thus creating a "prepaid" in wages payable at August 31, 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

August 31, 2015

### 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 August 31, 2015, 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 August 31, 2015, the District had a general ledger balance of \$418,500 (excluding student activity fund balances of approximately \$6,946,000), while the total of bank balances equaled \$16,421,419. Of the bank balances, \$500,000 is covered by federal depository insurance, and the remainder was covered by \$15,921,419 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 \$62,927,318.
3. The largest deposit combined account balance amounted to \$63,427,318 and occurred during the month of October 2014.
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

August 31, 2015

### 4. Deposits and Investments (continued)

#### *Investments*

The District’s temporary investments, including restricted assets, at August 31, 2015 are as follows:

	<b>Carrying Value</b>	<b>Fair Value</b>
Governmental activities:		
Bank of America – repurchase agreement	\$ 4,424,061	\$ 4,911,351
U.S. Government agency securities	5,502,533	5,726,473
JPMorgan Money Market Fund	18,689	18,689
Lone Star Investment Pool	105,774,037	105,390,100
Texas Daily Investment Pool	140,215,970	140,215,970
Texas Local Government Investment Pool (“TexPool”)	69,227,092	69,320,338
TexStar Investment Pool	63,150,968	63,150,968
U.S. Bank – U.S. Treasury and agency securities	3,440,037	3,490,058
Total governmental activities	391,753,387	392,223,947
Fiduciary fund:		
TexPool	4,644,661	4,644,661
Bank of America Money Market Fund	523,976	523,976
Savings accounts	1,153,868	1,153,868
Total fiduciary fund	6,322,505	6,322,505
Total investments	\$ 398,075,892	\$ 398,546,452

#### *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

August 31, 2015

### 4. Deposits and Investments (continued)

#### *Credit Risk*

As of August 31, 2015, 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 August 31, 2015. The District's Debt Service Fund holds \$8,942,570 in U.S. Government Treasury and agency securities at August 31, 2015, all of which mature in one year or less.

#### *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 operates as a Rule 2a7-like pool, as described in GASB Statement No. 59. As such, the District uses amortized cost to report its investment.

#### *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

August 31, 2015

### 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 operates as a Rule 2a7-like pool, as described in GASB Statement No. 59. As such, the District uses amortized cost to report its investment.

#### *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 operates as a Rule 2a7-like pool, as described in GASB Statement No. 59. As such, the District uses amortized cost to report its investment.

#### *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.

Although TexSTAR is not registered with the SEC as an investment company, the District believes it operates as a Rule 2a7 like pool, as described in GASB Statement No. 59. As such, the District uses amortized cost to report its investments.

# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### 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, 2014, upon which the October 2014 levy was based, was \$75,479,270,096.

The tax rates assessed for the year ended August 31, 2015 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.079 and \$0.143 per \$100 valuation, respectively, for a total of \$1.222 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 August 31, 2015, property taxes receivable, net of estimated uncollectible taxes, totaled \$6,867,536 and \$955,328 for the General and Debt Service Funds, respectively.

### 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 August 31, 2015 for the District's major fund and nonmajor funds are summarized below. All federal grants shown below are passed through TEA and are reported in the basic financial statements as receivable from other governments.

<b>Fund</b>	<b>Local Entities</b>	<b>State Grants and Other</b>	<b>Federal Grants</b>	<b>Total</b>
General Fund	\$ -	\$ -	\$ 415,443	\$ 415,443
Nonmajor fund	<u>2,065,477</u>	<u>16,832,274</u>	<u>43,218</u>	<u>18,940,969</u>
	<u>\$ 2,065,477</u>	<u>\$ 16,832,274</u>	<u>\$ 458,661</u>	<u>\$ 19,356,412</u>



# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### 7. Changes in Capital Assets

The following summarizes the change in capital assets for the year ended August 31, 2015:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 67,390,803	\$ 3,288,321	\$ -	\$ 70,679,124
Construction in progress	70,975,302	85,103,642	(79,850,890)	76,228,054
Total capital assets not being depreciated	138,366,105	88,391,963	(79,850,890)	146,907,178
Capital assets being depreciated:				
Property under capital leases	15,759,460	-	(15,759,460)	-
Buildings and improvements	1,392,288,436	79,826,648	-	1,472,115,084
Furniture and equipment	89,522,761	7,036,385	(1,492,517)	95,066,629
Total capital assets being depreciated	1,497,570,657	86,863,033	(17,251,977)	1,567,181,713
Less accumulated depreciation for:				
Property under capital leases	(15,759,460)	-	15,759,460	-
Buildings and improvements	(637,236,409)	(52,419,024)	-	(689,655,433)
Furniture and equipment	(67,357,940)	(5,958,656)	1,490,148	(71,826,448)
Total accumulated depreciation	(720,353,809)	(58,377,680)	17,249,608	(761,481,881)
Total capital assets being depreciated – net	777,216,848	28,485,353	(2,369)	805,699,832
Governmental activities capital assets – net	\$ 915,582,953	\$ 116,877,316	\$ (79,853,259)	\$ 952,607,010

# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### 7. Changes in Capital Assets (continued)

Depreciation expense for the year ended August 31, 2015 was charged to functions/programs of primary government activities as follows:

Instruction	\$ 38,952,075
Instructional resources and media services	2,611,786
Curriculum and staff development	733
Instructional leadership	14,034
School leadership	2,696,187
Guidance, counseling, and evaluation services	286,214
Health services	94,565
Student (pupil) transportation	2,270,572
Food services	3,663,232
Curricular/extracurricular activities	2,178,278
General administration	16,772
Plant maintenance and operations	3,045,828
Security and monitoring services	177,180
Data processing services	1,125,213
Community services	7,198
Depreciation – exclusive of functional amounts	<u>1,237,813</u>
	<u>\$ 58,377,680</u>

# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### 8. Long-Term Obligations

Long-term obligations include par bonds and loans, leases, self-insurance claims payable, and net pension liability. At August 31, 2015, 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 \$75,479,270,096, and the District's legal debt margin is 1.1%.

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 year ended August 31, 2015:

	<b>Bonds Payable</b>	<b>Loans Payable</b>	<b>Self-Insurance Claims Payable</b>	<b>Net Pension Liability</b>
Balance – as reported at August 31, 2014	\$ 863,050,468	\$ 3,600,124	\$ 11,347,518	\$ 124,957,054
Additions – bond premium	23,085,488	-	-	-
Current year claims and/or changes in estimates	-	-	78,639,536	-
Draws	-	425,852	-	-
Bond issuances	150,405,000	-	-	-
Retirements	(174,536,203)	(401,625)	-	-
Claim payments	-	-	(76,595,583)	-
Amortized bond premium	(5,116,818)	-	-	-
Additions – net pension expense	-	-	-	9,458,352
Reductions – net deferred resources	-	-	-	(23,068,312)
Reductions – prior year contributions	-	-	-	(9,019,793)
	<u>\$ 856,887,935</u>	<u>\$ 3,624,351</u>	<u>\$ 13,391,471</u>	<u>\$ 102,327,301</u>
Balance at August 31, 2015	<u>\$ 856,887,935</u>	<u>\$ 3,624,351</u>	<u>\$ 13,391,471</u>	<u>\$ 102,327,301</u>
Amount due within one year	<u>\$ 65,942,633</u>	<u>\$ 386,811</u>	<u>\$ 9,300,000</u>	<u>\$ -</u>

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

# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### 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 August 31, 2015:

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
		<u>\$ 1,350,662,166</u>

# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### 8. Long-Term Obligations (continued)

Description	Amounts Outstanding August 31, 2014	Additions Current Year	Retired Current Year	Amounts Outstanding August 31, 2015
Bonded indebtedness:				
Building bonds:				
1998 Unlimited Tax Refunding	\$ 50,013,570	\$ -	\$ (31,293,570)	\$ 18,720,000
2002 Unlimited Tax School Qualified Zone Academy	5,082,652	-	-	5,082,652
2004 Unlimited Tax Refunding	26,630,000	-	(8,400,000)	18,230,000
2005 Unlimited Tax Refunding	1,890,000	-	(1,890,000)	-
2005A Unlimited Tax School	130,000	-	(130,000)	-
2005B Unlimited Tax School Qualified Zone Academy	4,491,923	-	-	4,491,923
2006 Unlimited Tax Refunding	13,900,000	-	(6,770,000)	7,130,000
2006 Unlimited Tax School Qualified Zone Academy	6,408,071	-	-	6,408,071
2006A Unlimited Tax Refunding	18,785,000	-	(15,385,000)	3,400,000
2006B Unlimited Tax Refunding	31,445,000	-	(7,260,000)	24,185,000
2007 Unlimited Tax Refunding	72,865,000	-	(47,980,000)	24,885,000
2008 Unlimited Tax School Qualified Zone Academy	1,526,333	-	(152,633)	1,373,700
2008 Unlimited Tax Refunding	86,880,000	-	(41,500,000)	45,380,000
2009 Unlimited Tax Refunding	83,895,000	-	(2,725,000)	81,170,000
2010 Unlimited Tax Refunding	74,510,000	-	(3,870,000)	70,640,000
2011 Unlimited Tax Refunding	84,645,000	-	(2,330,000)	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	54,815,000	-	(4,850,000)	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
Bond premium	47,927,919	23,085,488	(5,116,818)	65,896,589
<b>Total bond indebtedness</b>	<b>\$ 863,050,468</b>	<b>\$ 173,490,488</b>	<b>\$ (179,653,021)</b>	<b>\$ 856,887,935</b>

# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### 8. Long-Term Obligations (continued)

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending August 31,			
2016	\$ 65,942,633	\$ 35,992,060	\$ 101,934,693
2017	52,435,285	33,245,948	85,681,233
2018	39,967,633	31,177,974	71,145,607
2019	30,832,633	29,625,071	60,457,704
2020	34,214,556	28,254,544	62,469,100
2021-2025	167,663,606	119,164,954	286,828,560
2026-2030	206,200,000	76,287,843	282,487,843
2031-2035	168,555,000	27,108,076	195,663,076
2036-2040	25,180,000	2,183,972	27,363,972
	\$ 790,991,346	\$ 383,040,442	\$ 1,174,031,788

In fiscal year 2015, the District issued two new series of bonded indebtedness as follows:

- The District entered into a contract, which was approved by the Board on June 22, 2015, to issue \$63,110,000 of Unlimited Tax Refunding Bonds, Series 2015A and delivered such bonds on July 22, 2015. The District used the \$63,110,000 plus premium and accrued commercial paper interest earnings to retire a portion of its outstanding commercial paper balance. There is no economic gain or loss on this refinancing of commercial paper, since commercial paper is a short-term obligation and bonded indebtedness is a long-term obligation.
- The District entered into a contract, which was approved by the Board on June 22, 2015, to issue \$87,295,000 Unlimited Tax Refunding Bonds, Taxable Series 2015B and delivered such bonds on July 22, 2015. The District used the \$87,295,000 plus premium to refund \$93,890,000 of the District's currently outstanding bonds. This refunding transaction resulted in cash flow savings of \$9,281,954 and an economic gain (net present value savings) of \$7,005,680 over the life of the bonds.

# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### 8. Long-Term Obligations (continued)

In the current and prior years, the District legally defeased certain bonds by placing the proceeds of new bond issues in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the legally defeased bonds are no longer reported in the District's financial statements. There are no bonds defeased in-substance as of August 31, 2015.

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 August 31, 2015.

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>
2016	\$ 33,772	\$ 1,993	\$ 35,765
2017	34,453	1,313	35,766
2018	35,147	618	35,765
2019	7,597	44	7,641
	<u>\$ 110,969</u>	<u>\$ 3,968</u>	<u>\$ 114,937</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>
2016	\$ 353,039	\$ 107,225	\$ 460,264
2017	363,750	96,514	460,264
2018	374,786	85,478	460,264
2019	386,156	74,107	460,263
2020	397,872	62,392	460,264
2021-2015	1,637,779	125,138	1,762,917
	<u>\$ 3,513,382</u>	<u>\$ 550,854</u>	<u>\$ 4,064,236</u>

During fiscal year 2015, interest expense and cash paid for interest totaled \$36,591,381.

# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### 9. Interfund Receivables and Payables

Interfund balances occur when one fund pays or receives resources for another fund. Interfund balances at August 31, 2015 consisted of the following fund receivables and payables:

	<b>Due From</b>	<b>Due To</b>
Major Fund – General:		
Debt Service	\$ 25,000	\$ -
Capital Projects	17,908,148	449
Nonmajor	17,344,788	-
Internal Service	2,843,347	5,498,108
Fiduciary	699,522	-
Total General Fund	38,820,805	5,498,557
Major Fund – Debt Service:		
General	-	25,000
Nonmajor	35	-
Fiduciary	35,385	-
Total Debt Service Fund	35,420	25,000
Major Fund – Capital Projects:		
General	449	17,908,148
Total Capital Projects Fund	449	17,908,148
Nonmajor Funds:		
General	-	17,344,788
Debt Service	-	35
Internal Service	-	18,819
Fiduciary	-	5,909
Total Nonmajor Funds	-	17,369,551
Internal Service Fund:		
General	5,498,108	2,843,347
Nonmajor	18,819	-
Internal Service	68,576	68,576
Fiduciary	1,791	-
Total Internal Service Fund	5,587,294	2,911,923
Fiduciary Funds:		
General	-	699,522
Debt Service	-	35,385
Nonmajor	5,909	-
Internal Service	-	1,791
Total Fiduciary Funds	5,909	736,698
Total all funds	\$ 44,449,877	\$ 44,449,877

During the year, the Debt Service Fund transferred \$70,000,000 to the Capital Projects Fund to retire commercial paper.



# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### 10. Commitments and Contingencies

At August 31, 2015, the District is committed under contracts in the amount of approximately \$30 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 of 1996 and provisions OMB Circular A-133 through August 31, 2015, these programs are still subject to financial and compliance audits and resolution of previously identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The District leases certain building facilities and equipment on a year-to-year basis. Total rent expenditures for the year ended August 31, 2015 was \$3,733,994. 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
2005	161,926
2006	198,258
2007	2,881,175
2008	22,893,664
2009	134,835,783
2010	57,620,021
2011	101,790,119
2012	621,732,418
2013	1,504,388,317
2014	3,564,179,677
2015	3,258,235,804
	<u>\$ 9,270,158,463</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

August 31, 2015

### 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's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

#### 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

August 31, 2015

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

	2015	2014
Member	<b>6.7%</b>	6.4%
Non-Employer Contributing Entity (State) (“NECE”)	<b>6.8%</b>	6.8%
Employers	<b>6.8%</b>	6.8%
District’s 2014 employer contributions		\$ 9,712,268
District’s 2014 member contributions		\$ 28,131,712
District’s 2014 NECE contributions		\$ 26,589,436

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

August 31, 2015

### 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, 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.

#### E. Actuarial Assumptions

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

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

\*Includes Inflation of 3%

# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### **11. Defined Benefit Pension Plan (continued)**

#### **E. Actuarial Assumptions (continued)**

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

#### **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

August 31, 2015

### 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, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return *
<b>Global Equity</b>			
U.S.	18%	7.00%	1.4%
Non-U.S. Developed	13%	7.30%	1.1%
Emerging Markets	9%	8.10%	0.9%
Directional Hedge Funds	4%	5.40%	0.2%
Private Equity	13%	9.20%	1.4%
<b>Stable Value</b>			
U.S. Treasuries	11%	2.90%	0.3%
Absolute Return	0%	4.00%	0.0%
Stable Value Hedge Funds	4%	5.20%	0.2%
Cash	1%	2.00%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	3.10%	0.0%
Real Assets	16%	7.30%	1.5%
Energy and Natural Resources	3%	8.80%	0.3%
Commodities	0%	3.40%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	8.90%	0.4%
Alpha	0%	0.00%	1.0%
<b>Total</b>	<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

August 31, 2015

**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 2014 Net Pension Liability.

	<b>1% Decrease in Discount Rate (7%)</b>	<b>Discount Rate (8%)</b>	<b>1% Increase in Discount Rate (9%)</b>
District's proportionate share of the net pension liability	\$ 182,852,683	\$ 102,327,301	\$ 42,109,313

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

At August 31, 2014, the District reported a liability of \$102,327,301 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	\$ 102,327,301
State's proportionate share that is associated with the district	<u>280,740,695</u>
<b>Total</b>	<b><u>\$ 383,067,996</u></b>

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

At August 31, 2014 the employer's proportion of the collective net pension liability was 0.383085% which was an increase of 0.48% from its proportion measured as of August 31, 2013. The change in proportion was immaterial and therefore disregarded this year.

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

# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### 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)

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, the District recognized pension expense of \$25,953,955 and revenue of \$25,953,955 for support provided by the State.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ 1,582,525	\$ -
Changes in actuarial assumptions	6,651,388	-
Difference between projected and actual investment earnings	-	31,275,402
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	-	26,823
Contributions paid to TRS subsequent to the measurement date	9,203,518	-
Total	\$ 17,437,431	\$ 31,302,225

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

Year Ended August 31:	Pension Expense Amount
2015	\$ (6,434,317)
2016	(6,434,317)
2017	(6,434,317)
2018	(6,434,317)
2019	1,384,534
2020	1,284,422
Thereafter	-



# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### **12. Health Care Coverage**

#### **A. Health Insurance Plan**

During the year ended August 31, 2015, 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 \$350,000 per claim.

Under BCBS, The District contributed \$446 per month, per employee to all plans, with the exception of the PPO2 (employee only) premium of \$408 per month, per employee. 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 insurers provide terms of coverage and contribution costs.

The latest financial statements for the insurance companies, 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 \$2,191,939, \$1,416,537, and \$1,420,965, for fiscal years 2015, 2014, and 2013, 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

August 31, 2015

### 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 years ended August 31, 2014 and 2015; 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](http://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 2013-2015.

<b>Contribution Rates and Amounts</b>						
<b>Year</b>	<b>Active Member</b>		<b>State</b>		<b>School District</b>	
	<b>Rate</b>	<b>Amount</b>	<b>Rate</b>	<b>Amount</b>	<b>Rate</b>	<b>Amount</b>
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
2013	0.65%	3,432,913	0.50%	304,996	0.55%	2,902,064

# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### 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 year ended August 31, 2015, 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. 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 \$350,000 per claim.

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

	2015		2014	
	<u>Workers' Compensation</u>	<u>Health Insurance</u>	<u>Workers' Compensation</u>	<u>Health Insurance</u>
Beginning of the year liability	\$ 6,414,535	\$ 4,932,983	\$ 7,034,158	\$ 5,033,372
Current year claims	2,164,723	74,430,860	1,633,930	68,085,494
Changes in estimates	(23,064)	2,067,017	(619,623)	(100,389)
Claim payments	<u>(2,164,723)</u>	<u>(74,430,860)</u>	<u>(1,633,930)</u>	<u>(68,085,494)</u>
End of the year liability	<u>\$ 6,391,471</u>	<u>\$ 7,000,000</u>	<u>\$ 6,414,535</u>	<u>\$ 4,932,983</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 August 31, 2015. 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

August 31, 2015

### 14. Deficit Fund Balance

As of August 31, 2015, the Capital Projects Fund had a deficit fund balance of \$37,043,645. The deficit fund balance resulted from capital expenditures incurred in 2013 through 2015, 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 August 31, 2015, 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 \$75.0 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 August 31, 2015, the District had a \$20 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 August 31, 2015, \$815 million of bond proceeds has been used to refinance the Commercial Paper.

Changes in the Commercial Paper are as follows:

	<u>2015</u>	<u>August 31,</u> <u>2014</u>
Beginning of the year liability	\$ -	\$ 10,000,000
Bonds issued	(70,000,000)	(60,000,000)
Commercial paper issuances	<u>90,000,000</u>	<u>50,000,000</u>
End of the year liability	<u>\$ 20,000,000</u>	<u>\$ -</u>

# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### 16. Fund Balance

Designations of governmental fund balance as of August 31, 2015 were as follows:

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Fund balances:					
Nonspendable:					
Inventories	\$ 395,152	\$ -	\$ -	\$ 2,724,358	\$ 3,119,510
Prepays	7,930,082	-	-	480,477	8,410,559
Restricted:					
Retirement of long-term debt	-	48,169,616	-	-	48,169,616
Federal and state funds grants	-	-	-	4,550,895	4,550,895
Assigned:					
Administration	413,901	-	-	-	413,901
Community services	82,924	-	-	-	82,924
Instructional related	9,559,450	-	-	-	9,559,450
Instructional and school leadership related	124,530	-	-	-	124,530
Library science	119,539	-	-	-	119,539
Special projects (energy conservation and e-rate reimbursements)	4,981,757	-	-	-	4,981,757
Strategic compensation	1,000,000	-	-	-	1,000,000
Support services (nonstudent related)	1,767,993	-	-	-	1,767,993
Support services (student related)	379,951	-	-	-	379,951
Unassigned	190,967,649	-	(37,043,645)	-	153,924,004
Total fund balances	\$ 217,722,928	\$ 48,169,616	\$ (37,043,645)	\$ 7,755,730	\$ 236,604,629

# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### 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 August 31, 2015 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	\$ 54,776	\$ 35,861	\$ 3,547	\$ 7,881	\$ 394	\$ 7,093
Number of Students	<u>11</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Fund Year 285.6	\$ 126	\$ 103	\$ -	\$ -	\$ -	\$ 23
Total	<u>\$ 54,902</u>	<u>\$ 35,964</u>	<u>\$ 3,547</u>	<u>\$ 7,881</u>	<u>\$ 394</u>	<u>\$ 7,116</u>

# Austin Independent School District

## Notes to the Basic Financial Statements

August 31, 2015

### 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>86</u>	<u>80</u>	<u>6</u>
Fund Year			
315.5	\$ <u>46,637</u>	\$ <u>43,383</u>	\$ <u>3,254</u>
Discretionary Deaf	<u>46,637</u>	<u>43,383</u>	<u>3,254</u>
316.5	29,994	27,901	2,093
316.6	<u>941</u>	<u>875</u>	<u>66</u>
Formula Deaf	<u>30,935</u>	<u>28,776</u>	<u>2,159</u>
317.5	<u>2,000</u>	<u>1,860</u>	<u>140</u>
Preschool Deaf	<u>2,000</u>	<u>1,860</u>	<u>140</u>
340.4	(214)	(199)	(15)
340.5	<u>2,291</u>	<u>2,131</u>	<u>160</u>
Early Intervention	<u>2,077</u>	<u>1,932</u>	<u>145</u>
435.4	(1,070)	(995)	(75)
435.5	<u>626,343</u>	<u>582,645</u>	<u>43,698</u>
State Deaf	<u>625,273</u>	<u>581,650</u>	<u>43,623</u>
Total	\$ <u><u>706,922</u></u>	\$ <u><u>657,601</u></u>	\$ <u><u>49,321</u></u>

### 18. Pension Restatement

Effective September 1, 2014, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, An Amendment of GASB Statement No. 68*. Upon adoption, net pension liability, deferred inflows and outflows and pension expense are now reflected on the financial statements in accordance with the guidance provided for within the standards. The implementation resulted in a restatement of the beginning net position in 2015, the year in which the provisions of GASB Statement No. 68 were adopted. The adoption decreased net position by \$115,937,261.

	<b>Total</b>
Net position at end of year – as previously reported	\$ 336,245,158
Implementation of GASB Statement Nos. 68 and 71	<u>(115,937,261)</u>
Net position at beginning of year – as restated	\$ <u><u>220,307,897</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

Year Ended August 31, 2015

Data Control Codes		Budgeted Amounts			Variance With Final Budget Positive (Negative)
		Original	Final	Actual	
	<b>Revenues</b>				
5700	Local and intermediate sources	\$ 802,185,672	\$ 820,073,863	\$ 818,924,395	\$ (1,149,468)
5800	State program revenues	57,648,608	64,475,651	62,523,918	(1,951,733)
5900	Federal program revenues	21,929,637	24,679,774	24,204,869	(474,905)
5020	Total revenues	881,763,917	909,229,288	905,653,182	(3,576,106)
	<b>Expenditures</b>				
	Current:				
0011	Instruction	435,281,112	420,176,606	417,253,355	2,923,251
0012	Instructional resources and media services	10,905,972	11,165,188	10,670,892	494,296
0013	Curriculum and instructional staff development	11,939,131	15,549,978	12,683,581	2,866,397
0021	Instructional leadership	12,215,675	13,938,467	13,513,543	424,924
0023	School leadership	48,306,683	49,997,667	49,868,639	129,028
0031	Guidance, counseling, and evaluation services	19,772,912	23,721,469	23,035,089	686,380
0032	Social work services	4,700,181	4,874,614	4,566,336	308,278
0033	Health services	6,182,904	6,278,330	5,694,259	584,071
0034	Student (pupil) transportation	28,148,642	29,522,000	29,067,082	454,918
0036	Curricular/extracurricular activities	13,499,513	15,825,342	15,751,680	73,662
0041	General administration	17,845,731	18,230,018	17,689,045	540,973
0051	Plant maintenance and operations	77,918,209	86,215,397	85,939,696	275,701
0052	Security and monitoring services	9,835,693	9,850,379	9,770,847	79,532
0053	Data processing services	18,718,224	17,342,068	17,207,584	134,484
0061	Community services	5,639,832	5,195,756	4,973,026	222,730
0071	Principal on long-term debt	883,000	415,954	401,624	14,330
0072	Interest on long-term debt	-	105,461	105,461	-
0081	Capital outlay	1,519,000	2,484,597	2,212,410	272,187
0091	Contracted instructional services between schools	175,539,902	181,425,339	181,118,956	306,383
0093	Payments related to shared services arrangements	2,360,388	2,536,261	2,526,261	10,000
0099	Other intergovernmental charges	5,453,641	5,453,641	5,267,148	186,493
6030	Total expenditures	906,666,345	920,304,532	909,316,514	10,988,018
1100	Excess (deficiency) of revenues over (under) expenditures	(24,902,428)	(11,075,244)	(3,663,332)	7,411,912
	<b>Other Financing Sources (Uses)</b>				
7912	Sale of real or personal property	51,000	51,000	-	(51,000)
7914	Noncurrent loan proceeds	-	425,851	425,852	1
8949	Other uses	(81,000)	(82,500)	-	82,500
7080	Total other financing sources (uses)	(30,000)	394,351	425,852	31,501
1200	Net change in fund balance	(24,932,428)	(10,680,893)	(3,237,480)	7,443,413
0100	Fund balance at beginning of year	220,960,408	220,960,408	220,960,408	-
3000	Fund balance at end of year	\$ 196,027,980	\$ 210,279,515	\$ 217,722,928	\$ 7,443,413

See accompanying independent auditor's report

# Austin Independent School District

## Exhibit G-1

### Note to the Budgetary Comparison Schedule – General Fund

Year Ended August 31, 2015

#### **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 August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 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.

## Austin Independent School District

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

Year ended August 31, 2015

	<u>2015</u>
District's proportion of the net pension liability	0.3830850%
District's proportionate share of net pension liability	\$ 102,327,301
State's proportionate share of the net pension liability associated with the district	<u>280,740,695</u>
Total	<u>\$ 383,067,996</u>
District's covered-employee payroll	\$ 530,498,281
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	19.29%
Plan fiduciary net position as a percentage of the total pension liability	83.25%

Only one year 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

Year ended August 31, 2015

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

Only one year 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 Required Supplementary Information**

August 31, 2015

**1. Changes to benefit terms**

There were no benefit changes during the year.

**2. Changes of assumptions**

There were no changes of assumptions during the year.

## Other Supplementary Information Section

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

# Austin Independent School District

## Exhibit J-1 Schedule of Delinquent Taxes Receivable

Year Ended August 31, 2015

Year Ended August 31,	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance at September 1, 2014	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance at August 31, 2015
	1	2							
	Maintenance	Debt Service							
2005 and prior years	Various	Various	\$ Various	\$ 14,781,969	\$ -	\$ 155,339	\$ 17,337	\$ (4,385)	\$ 14,604,908
2006	1.5000	0.1230	40,506,607,208	1,467,170	-	21,967	1,801	(15,159)	1,428,243
2007	1.3700	0.1230	46,891,428,945	1,319,801	-	47,137	4,232	(4,143)	1,264,289
2008	1.0400	0.1230	52,962,285,527	1,097,268	-	44,799	5,298	1,409	1,048,580
2009	1.0790	0.1230	58,836,304,076	1,531,405	-	35,170	4,009	(69,535)	1,422,691
2010	1.0790	0.1230	61,630,025,136	1,622,537	-	(109,285)	(12,458)	(273,654)	1,470,626
2011	1.0790	0.1480	59,795,510,706	1,781,823	-	159,530	21,882	(47,049)	1,553,362
2012	1.0790	0.1630	60,510,010,799	1,524,583	-	221,675	33,487	(110,970)	1,158,451
2013	1.0790	0.1630	62,672,946,147	2,676,467	-	467,391	70,607	(224,749)	1,913,720
2014	1.0790	0.1630	67,349,173,527	6,010,474	-	1,784,533	269,582	(1,071,536)	2,884,823
2015 (school year under audit)	1.0790	0.1430	75,479,270,096	-	922,356,681	806,437,822	106,877,302	(2,808,364)	6,233,193
1000 Totals				\$ 33,813,497	\$ 922,356,681	\$ 809,266,078	\$ 107,293,079	\$ (4,628,135)	\$ 34,982,886

# Austin Independent School District

## Exhibit J-4

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

Year Ended August 31, 2015

<u>Data Control Codes</u>	1		2		3		<b>Variance With Final Budget Positive (Negative)</b>
	<u>Budgeted Amounts</u>						
	<u>Original</u>	<u>Final</u>			<u>Actual</u>		
<b>Revenues</b>							
5700	Local and intermediate sources	\$ 8,361,201	\$ 8,048,850		\$ 6,691,611		\$ (1,357,239)
5800	State program revenues	1,146,327	1,189,336		1,167,481		(21,855)
5900	Federal program revenues	<u>31,384,025</u>	<u>30,467,454</u>		<u>29,097,171</u>		<u>(1,370,283)</u>
5020	Total revenues	<u>40,891,553</u>	<u>39,705,640</u>		<u>36,956,263</u>		<u>(2,749,377)</u>
<b>Expenditures</b>							
Current:							
0035	Food service	<u>40,262,631</u>	<u>39,705,640</u>		<u>38,186,584</u>		<u>1,519,056</u>
6030	Total expenditures	<u>40,262,631</u>	<u>39,705,640</u>		<u>38,186,584</u>		<u>1,519,056</u>
1100	Excess (deficiency) of revenues over expenditures	<u>628,922</u>	<u>-</u>		<u>(1,230,321)</u>		<u>(1,230,321)</u>
1200	Net change in fund balance	628,922	-		(1,230,321)		(1,230,321)
0100	Fund balance at beginning of year	<u>6,468,249</u>	<u>6,468,249</u>		<u>6,468,249</u>		<u>-</u>
3000	Fund balance at end of year	<u>\$ 7,097,171</u>	<u>\$ 6,468,249</u>		<u>\$ 5,237,928</u>		<u>\$ (1,230,321)</u>



# Austin Independent School District

## Exhibit J-5

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

Year Ended August 31, 2015

<u>Data Control Codes</u>	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	1	2	3	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
5700	\$ 105,547,716	\$ 107,914,955	\$ 108,192,795	\$ 277,840
5900	900,083	912,601	912,600	(1)
5020	<u>106,447,799</u>	<u>108,827,556</u>	<u>109,105,395</u>	<u>277,839</u>
<b>Expenditures</b>				
0071	105,615,701	105,615,701	105,377,100	238,601
6030	<u>105,615,701</u>	<u>105,615,701</u>	<u>105,377,100</u>	<u>238,601</u>
1100	832,098	3,211,855	3,728,295	516,440
<b>Other Financing Sources (Uses)</b>				
7911	-	-	150,405,000	150,405,000
7916	-	-	23,085,488	23,085,488
8911	-	-	(70,000,000)	(70,000,000)
8940	-	-	(102,745,079)	(102,745,079)
7080	<u>-</u>	<u>-</u>	<u>745,409</u>	<u>745,409</u>
1200	832,098	3,211,855	4,473,704	1,261,849
0100	<u>43,695,912</u>	<u>43,695,912</u>	<u>43,695,912</u>	<u>-</u>
3000	<u>\$ 44,528,010</u>	<u>\$ 46,907,767</u>	<u>\$ 48,169,616</u>	<u>\$ 1,261,849</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 year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 19, 2016. Our report was modified to include a reference to the restatement of beginning net position due to the adoption of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, An Amendment of GASB Statement No. 68*.

### ***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  
January 19, 2016



## Padgett Stratemann

### Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance as Required by OMB Circular A-133

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 *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination 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 year ended August 31, 2015.

### ***Report on Internal Control Over Compliance***

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

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

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

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

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

Austin, Texas  
January 19, 2016

# Austin Independent School District

## Schedule of Findings and Questioned Costs

Year Ended August 31, 2015

### Section I – Summary of Auditor’s Results

#### 1. Financial Statements

Type of auditor’s report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No	
Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> None Reported	
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> No	

#### 2. Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No	
Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> None Reported	
Type of auditor’s report issued on compliance for major programs:	<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u>      </u> Yes	<u>  X  </u> No	

**Austin Independent School District**

Schedule of Findings and Questioned Costs

Year Ended August 31, 2015

(Continued)

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Commodities Supplemental Food Program
10.555	After-School Snack Program
10.555	Seamless Summer Feeding Option
84.374A	REACH: Supporting and Rewarding Success in the Classroom

Dollar threshold used to distinguish between type A and type B programs: \$ 3,000,000

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

Year Ended August 31, 2015

(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>		
		<b>Direct Programs:</b>		
S060A140771	379	Indian Education Formula Grants to LEAs	84.060A	\$ 54,776
S060A150771	379	Indian Education Formula Grants to LEAs*	84.060A	126
		Subtotal, Indian Education Formula Grants to LEAs		<u>54,902</u>
U363A080139-11	289	Legacy Leadership: A Model for District Succession Planning	84.363A	15,220
U363A080139-12	289	Legacy Leadership: A Model for District Succession Planning	84.363A	4,716
		Subtotal, Legacy Leadership: A Model for District Succession Planning		<u>19,936</u>
U351C140069	289	Project Creative Learning	84.351C	136,845
S374A100010	289	REACH: Supporting and Rewarding Success in the Classroom	84.374A	7,563,440
		Total Direct Programs		<u>7,775,123</u>
		<b>Passed Through The University of Texas at Austin:</b>		
N/A	199/289	Federal Work-Study Program	84.033	38,245
		Total Passed Through The University of Texas at Austin		<u>38,245</u>
		<b>Passed Through the Texas Education Agency:</b>		
14610101227901	211	ESEA, Title I, Part A – Improving Basic Programs	84.010A	3,848
15610101227901	211	ESEA, Title I, Part A – Improving Basic Programs	84.010A	25,414,123
16610101227901	211	ESEA, Title I, Part A – Improving Basic Programs*	84.010A	1,781,051
		Subtotal, ESEA Title I Part A – Improving Basic Programs		<u>27,199,022</u>
15610103227901	211	ESEA Title I Part D, Subpart 2 – Delinquent Programs	84.010A	378,951
16610103227901	211	ESEA Title I Part D, Subpart 2 – Delinquent Programs*	84.010A	23,433
		Subtotal, ESEA Title I Part D, Subpart 2 – Delinquent Programs		<u>402,384</u>

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

# Austin Independent School District

## Exhibit K-1 Schedule of Expenditures of Federal Awards

Year Ended August 31, 2015

(Continued)

(1)			(2)	(3)
Project Number	Data Control Codes	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures Indirect Costs and Refunds
14610112227901007	211	Title I 1003(A) Priority and Focus School Grants – Travis	84.010A	\$ 1,156
14610112227901019	211	Title I 1003(A) Priority and Focus School Grants – Eastside	84.010A	1,597
14610112227901048	211	Title I 1003(A) Priority and Focus School Grants – Pearce	84.010A	13,670
14610112227901055	211	Title I 1003(A) Priority and Focus School Grants – Dobie	84.010A	316
14610112227901058	211	Title I 1003(A) Priority and Focus School Grants – Mendez	84.010A	(8)
14610112227901109	211	Title I 1003(A) Priority and Focus School Grants – Brown	84.010A	82
15610112227901006	211	Title I 1003(A) Priority and Focus School Grants – Reagan	84.010A	50,996
15610112227901007	211	Title I 1003(A) Priority and Focus School Grants – Travis	84.010A	19,643
15610112227901014	211	Title I 1003(A) Priority and Focus School Grants – LBJ	84.010A	10,654
15610112227901019	211	Title I 1003(A) Priority and Focus School Grants – Eastside	84.010A	9,802
15610112227901055	211	Title I 1003(A) Priority and Focus School Grants – Dobie	84.010A	23,059
15610112227901058	211	Title I 1003(A) Priority and Focus School Grants – Mendez	84.010A	1,031
15610112227901109	211	Title I 1003(A) Priority and Focus School Grants – Brown	84.010A	12,127
Subtotal, ESEA Title I – School Improvement Program				<u>144,125</u>
146600012279016600	224	IDEA – Part B, Formula	84.027A	(2,339)
156600012279016600	224	IDEA – Part B, Formula	84.027A	14,629,844
166600012279016600	224	IDEA – Part B, Formula*	84.027A	1,200,915
Subtotal, IDEA – Part B, Formula				<u>15,828,420</u>
156600112279016673	315	IDEA – Part B, Discretionary (Deaf)	84.027A	46,637
156600012279016601	316	IDEA – Part B, Formula (Deaf)	84.027A	29,994
166600012279016601	316	IDEA – Part B, Formula (Deaf)*	84.027A	941
Subtotal, IDEA – Part B, Formula (Deaf)				<u>30,935</u>
15420006227901	244	Carl D. Perkins Basic Grant Formula for CATE	84.048A	1,129,874
16420006227901	244	Carl D. Perkins Basic Grant Formula for CATE*	84.048A	73,203
Subtotal, Carl D. Perkins Basic Grant Formula for CATE				<u>1,203,077</u>
146610012279016610	225	IDEA – Part B, Preschool	84.173A	2,743
156610012279016610	225	IDEA – Part B, Preschool	84.173A	501,888
166610012279016610	225	IDEA – Part B, Preschool*	84.173A	35,803
Subtotal, IDEA – Part B, Preschool				<u>540,434</u>

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

# Austin Independent School District

## Exhibit K-1 Schedule of Expenditures of Federal Awards

Year Ended August 31, 2015

(Continued)

(1)			(2)	(3)
Project Number	Data Control Codes	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures Indirect Costs and Refunds
156610012279016611	317	IDEA – Part B, Preschool (Deaf)	84.173A	\$ 2,000
143911012279013911	340	IDEA – Part C, Early Childhood Intervention (Deaf)	84.181A	(214)
153911012279013911	340	IDEA – Part C, Early Childhood Intervention (Deaf)	84.181A	2,291
		Subtotal, IDEA – Part C, Early Childhood Intervention (Deaf)		2,077
145900187110001	258	2014-2015 PCSP Start-Up Grants	84.282A	491,199
146950167110003	265	21st Century Community Learning Centers CY 7 Yr 3	84.287C	1,186
156950167110003	265	21st Century Community Learning Centers CY 7 Yr 4	84.287C	1,835,180
156950197110003	265	21st Century Community Learning Centers CY 8 Yr 2	84.287C	2,098,519
166950167110003	265	21st Century Community Learning Centers	84.287C	79,889
166950197110003	265	21st Century Community Learning Centers	84.287C	94,411
		Subtotal, Texas 21st Century Community Learning Centers		4,109,185
14671001227901	263	Title III, Part A – LEP	84.365A	20,174
15671001227901	263	Title III, Part A – LEP	84.365A	2,253,405
16671001227901	263	Title III, Part A – LEP*	84.365A	131,069
		Subtotal, Title III, Part A – LEP		2,404,648
14694501227901	255	ESEA Title II, Part A Teacher and Principal Training and Recruiting	84.367A	5,945
15694501227901	255	ESEA Title II, Part A Teacher and Principal Training and Recruiting	84.367A	2,742,716
16694501227901	255	ESEA Title II, Part A Teacher and Principal Training and Recruiting*	84.367A	379,129
		Subtotal, ESEA Title II, Part A		3,127,790
69551302	289	Summer School LEP	84.369A	61,822
69551402	289	Summer School LEP	84.369A	142,663
		Subtotal, Summer School LEP		204,485
136460037110003	289	Texas Literacy Initiative	84.371C	2,576,277
146460037110003	289	Texas Literacy Initiative	84.371C	4,096,342
156460037110003	289	Texas Literacy Initiative*	84.371C	199,327
		Subtotal, Texas Literacy Initiative		6,871,946

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

# Austin Independent School District

## Exhibit K-1 Schedule of Expenditures of Federal Awards

Year Ended August 31, 2015

(Continued)

(1)			(2)	(3)
Project Number	Data Control Codes	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures Indirect Costs and Refunds
136107047110002	276	Texas Title I Priority School Grants – Burnet	84.377A	\$ 263
116107117110001	276	Texas Title I Priority School Grants – Burnet	84.377A	342,200
		Subtotal, Texas Title I Priority School Grants – Burnet		<u>342,463</u>
116107117110002	276	Texas Title I Priority School Grants – Lanier	84.377A	<u>660,030</u>
116107117110003	276	Texas Title I Priority School Grants – Martin	84.377A	<u>282,295</u>
105520067110001	286	Texas Title I Priority School Grants – ARRA – Lanier	84.388A	5,943
105520067110002	286	Texas Title I Priority School Grants – ARRA – Martin	84.388A	<u>6,210</u>
		Subtotal, Texas Title I Priority School Grants – ARRA		<u>12,153</u>
		Total Passed Through the Texas Education Agency		<u>63,905,305</u>
		<b>Passed Through Austin Community College:</b>		
1414ABE000	223	Adult Education/TANF Grant	84.002A	(1,516)
1414AEL000	223	Adult Education/TANF Grant	84.002A	<u>91,925</u>
		Subtotal, Adult Education/TANF Grant		<u>90,409</u>
1414AEL000	220	Adult Ed. – English Literacy & Civics Education, Section 231	84.002A	249,406
1414AEL000	220	Adult Ed. – English Literacy & Civics Education, Section 231*	84.002A	<u>1,907</u>
		Subtotal, Adult Education/TANF Grant		<u>251,313</u>
		Total Passed Through the Austin Community College		<u>341,722</u>
		<b>Passed Through Texas Workforce Commission</b>		
1414ELC003	220	Adult Ed. – English Literacy & Civics Education, Section 231	84.002A	<u>145</u>
		Total Passed Through the Texas Workforce Commission		<u>145</u>
		<b>Passed Through the Education Service Center, Region 10:</b>		
14-023	206	McKinney-Vento Homeless Education	84.196A	(1,033)
15-020	206	McKinney-Vento Homeless Education	84.196A	<u>138,165</u>
		Total Passed Through the Education Service Center, Region 10		<u>137,132</u>
		Total United States Department of Education		<u>72,197,672</u>

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

# Austin Independent School District

## Exhibit K-1 Schedule of Expenditures of Federal Awards

Year Ended August 31, 2015

(Continued)

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 Agriculture:</u>				
<b>Passed Through the Texas Department of Agriculture:</b>				
71400701	240	School Breakfast Program	10.553	\$ 6,506,014
71300701	240	National School Lunch Program	10.555	21,100,040
71300701	240	Commodities Supplemental Food Program	10.555	1,207,460
71300701	240	After-School Snack Program	10.555	254,709
71300701	240	Seamless Summer Feeding Option	10.555	333,401
N/A	240	Child and Adult Care Food Program	10.558	768,108
Total United States Department of Agriculture				30,169,732
<u>National Endowment for the Arts:</u>				
15-5100-7073	289	National Endowment of the Arts*	45.024	7,017
Total National Endowment for the Arts				7,017
<u>United States Department of Defense:</u>				
N/A	199	R.O.T.C.	12.000	213,662
Total United States Department of Defense				213,662
<u>Department of Housing and Urban Development:</u>				
<b>Passed Through the City of Austin:</b>				
NI130000010 Amendment 1	289	CDBG Teen Parent Child Care	14.218	20,309
NI130000010 Amendment 2	289	CDBG Teen Parent Child Care	14.218	158,742
Total Department of Housing and Urban Development				179,051
<u>U.S. Department of Transportation:</u>				
<b>Passed Through the Texas Department of Transportation:</b>				
584EGF6045	289	AISD Afterschool Driver Education Program	20.600	1,454
585EGF6012	289	AISD Afterschool Driver Education Program	20.600	23,210
Total U.S. Department of Transportation				24,664

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

# Austin Independent School District

## Exhibit K-1 Schedule of Expenditures of Federal Awards

Year Ended August 31, 2015

(Continued)

Project Number	Data Control Codes	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures Indirect Costs and Refunds
<u>Institute of Museum and Library Services</u>				
<b>Passed Through Central Texas Library System</b>				
LS-00-14-0044-14	289	Library Cooperation Grant Program	45.310	\$ <u>9,631</u>
				<u>9,631</u>
<u>United States Department of Health and Human Services:</u>				
<b>Passed Through Child, Inc.:</b>				
N/A	205	Head Start Collaboration	93.600	(76)
N/A	205	Head Start Collaboration	93.600	122,119
N/A	205	Head Start Collaboration*	93.600	<u>254,325</u>
Subtotal, Head Start Collaboration				<u>376,368</u>
<b>Passed Through the Texas Health and Human Services Commission:</b>				
529-13-0063-00006	289	Refugee School Impact Discretionary Grant	93.576	133,359
529-13-0063-00006A	289	Refugee School Impact Discretionary Grant	93.576	<u>1,898</u>
Subtotal, Refugee School Impact Discretionary Grant				<u>135,257</u>
<b>Passed Through the Texas Department of State Health Services:</b>				
529-07-0157-00112	272	Medicaid Administration	93.778	<u>581,055</u>
Total U.S Department of Health and Human Services				<u>1,092,680</u>
<u>Corporation for National &amp; Community Service:</u>				
<b>Passed Through OneStar National Service Commission:</b>				
13WCHTX0010001	289	AISD School Turnaround AmeriCorps Initiative	94.006	234,895
13WCHTX0010001	289	AISD School Turnaround AmeriCorps Initiative*	94.006	<u>5,608</u>
Subtotal, AISD School Turnaround AmeriCorps Initiative				<u>240,503</u>
Total Federal Assistance				<u>\$ 104,134,612</u>

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

# Austin Independent School District

## Notes to the Schedule of Expenditures of Federal Awards

Year Ended August 31, 2014

### 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**

Year Ended August 31, 2014

### **4. Noncash Federal Awards**

The District received noncash awards in the form of food commodities totaling \$1,207,460 for the year ended August 31, 2015.