

**ATHENS INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**

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

ATHENS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2012

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CERTIFICATE OF BOARD

Athens Independent School District  
Name of School District

Henderson  
County

107-901  
Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and ✓ approved \_\_\_\_\_ disapproved for the year ended June 30, 2012 at a meeting of the board of school trustees of such school district on the 18<sup>TH</sup> day of OCTOBER, 2012.

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

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

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

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

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

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UNQUALIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS  
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION  
AND OTHER SUPPLEMENTARY INFORMATION  
INCLUDING THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Independent Auditor's Report

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

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Athens Independent School District (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, 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.

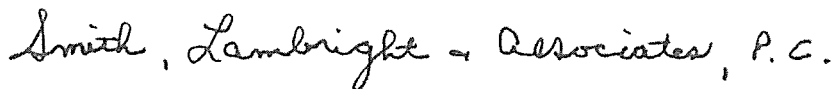
In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Budgetary Comparison Schedule - General Fund and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of the District. The Budgetary Comparison Schedule - General Fund and combining and individual nonmajor fund financial statements 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-5. Except for Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet) which is marked UNAUDITED and on which we express no opinion, these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



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

October 11, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS





104 Hawn Street • Athens, Texas 75751 • (903) 677-6937 • Fax (903) 677-6908

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the administrators of Athens Independent School District, discuss and analyze the District's financial performance for the year ended June 30, 2012. Please read it in conjunction with the independent auditor's report and the District's Basic Financial Statements.

### FINANCIAL HIGHLIGHTS

These financial statements present information for the fiscal year July 1, 2011 through June 30, 2012. The District's net assets on a government-wide basis increased \$1,536,861 as a result of this period's operations (Exhibit B-1). The increase is primarily reflected in an increase of net fixed assets due to an increase of construction work in progress, an increase in cash and cash equivalents, a decrease in current investments, a decrease in the amount due from other governments and an increase in noncurrent liabilities.

The total cost of all of the District's programs decreased as expected with the decline of expenditures funded by the ARRA (stimulus) programs even though another grade level was added to the early college high school program in collaboration with Trinity Valley Community College, and no old programs deleted this period. The district experienced common cost increases and moderate increases in staff compensation (Exhibit B-1).

During the period, the District General Fund had revenues of \$23,945,648, representing \$1,281,819 more than the \$22,663,829 expenditures net of other financing sources and uses for governmental programs (Exhibit C-3). This is consistent with the district's capital improvement plan that previously committed \$1,500,000 of fund balance for future construction and capital purposes. These funds will help with future upgrades to the bus fleet as well as address heating, ventilation and air conditioning needs, roofing and technology improvements and replacements.

The District General Fund ended the year with a fund balance of \$7,940,619 (Exhibit C-3). The increase of \$1,281,819 in fund balance represents the effect of operations. The district benefited from slightly increased enrollment and attendance, higher than expected federal program revenues, sale of surplus property (obsolete equipment) and cost containment strategies.

## **USING THIS ANNUAL REPORT**

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

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

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

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

### **Reporting the District as a Whole**

#### *The Statement of Net Assets and the Statement of Activities*

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

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

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

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

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

## **Reporting the District's Most Significant Funds**

### *Fund Financial Statements*

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

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

The District as Trustee

### *Reporting the District's Fiduciary Responsibilities*

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net assets of the District's governmental activities increased from \$25,239,318 to \$26,776,179. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$1,305,866 to \$8,777,716 at June 30, 2012. This change in governmental net assets was the result of operations and related factors. Specific items to note include: the net capital assets increased by \$2,040,192 due to construction and renovation, the District's liabilities related to debt service increased due to the Qualified School Construction Bonds that were sold in July of 2011. Restricted assets increased reflecting the resources committed to capital improvements.

The Other Intergovernmental Charges (CAD) represents central property appraisal district service costs that were included in the General administration category prior to the year ended June 30, 2009.

The District's total revenues for the year ended June 30, 2012 decreased by approximately 3.4 percent compared to the year ended June 30, 2011, primarily due to a decrease in state funding and a decrease in federal and state grant programs. The total cost of all programs and services was approximately 3.1 percent lower this period than last, reduced to match the decline of funding and cost containment efforts.

The net cost of all governmental activities this year was \$23,325,244. However, as shown in the Statement of Activities (Exhibit B-1), the amount that our taxpayers ultimately financed for these activities through District taxes was only \$13,718,615. Some of the costs were paid by those who directly benefited from the programs (\$624,595) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,080,809) or by State equalization funding (\$10,209,347). Investment earnings and other revenues funded the remaining amount. The local taxpayer share increased and the state equalization funding decreased as local property values moved slightly higher.

## THE DISTRICT'S FUNDS

As the District completed the year, its general fund reported a fund balance of \$7,940,619 (Exhibit C-3), which is \$1,281,819 higher than last year's general fund balance of \$6,658,800. The increase represents the net effect of optimizing grant funds (especially the special education high cost grant), significant efforts of cost avoidance combined with better than expected local property tax revenues and slightly increased federal fund revenues. Some accumulated reserves within the Debt Service Fund were utilized during the current year.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into several categories. The first category includes amendments and supplemental appropriations that were approved after the beginning of the year and reflect

the updated revenue/expenditure expectations after the first semester. The second category involved amendments appropriating funds for the locally defined capital projects and other capital assets as well as moving funds between functions to better address needs within the dynamic education environment.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2012, the District had \$58.7 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of approximately 3.6 million dollars, or 6.5 percent above last year.

This year's additions included: construction work in progress at Bel Air Elementary and career and technology education remodeling at Athens High School Annex. The changes also represent the acquisition of one school bus and a general fleet vehicle.

The District's fiscal year 2012-2013 general fund capital budget as originally adopted did not include any funds transferred to the local capital projects fund for facilities improvements. That transfer will be evaluated during the 2012-2013 year in light of the growth in general fund balance which will provide resources for upgrading the bus fleet and other capital improvements. The qualified school construction bonds totaling \$6.525 million that were approved by voters in May 2011 were sold and funded in July 2011. The funds are being used to provide additional classrooms and improvements for Bel Air Elementary and additional improvements for the career and technology education area at Athens High School Annex. Detailed information about the District's capital assets is presented in Note F to the financial statements.

### Debt

At June 30, 2012, the District had \$25.2 million in bonds, maintenance tax notes and capital leases outstanding. The proceeds from the qualified school construction bonds approved by the May 2011 bond election were received in July 2011. More detailed information about the District's long-term liabilities is presented in notes to the financial statements (Note G, H, I and U).

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

The District's elected and appointed officials considered many factors when setting the fiscal year 2012-2013 budget and tax rates. The District's population continues to experience stability with minimal growth from year to year, averaging about 3 percent between census periods. Unemployment for Henderson County has increased but is beginning to improve. Retail is stable and some specialized residential property (assisted living center and targeted rental units) is under construction as well as a specialty restaurant. Legislation will result in minimally increased revenue for the general operations of the District for 2012-2013 but still less than compared to 2010-2011. Cost containment and reduction will be accomplished through attrition

and diligent cost management. The local maintenance property tax rate will remain unchanged, among the lowest of school districts in Texas for 2012, with no increase in the debt service tax rate due to a stable property tax base and available reserve funds. Consequently, the budget adopted for fiscal year 2012-2013 depicts operations within these parameters. If actual tax collections and the related state funding effects are better than anticipated, a budget amendment recognizing the additional resources and opportunities will be considered.

These indicators were taken into account when adopting the General Fund budget for the fiscal year ending June 30, 2013 and adopting the combined tax rate for the 2012 levy of \$1.18647 per \$100 of valuation. Amounts available for appropriation in the original General Fund budget are \$23.5 million, as compared to the final 2011-2012 annual budget of \$22.9 million. The District will use its revenues to finance programs currently offered. Budgeted expenditures are \$23.5 million, a decrease of \$654,445 from the final \$24.2 million of 2010-2011. The decrease is primarily the net effect of legislative changes and projected increased costs of operations (pay step increases for instructional professionals). The District has added no major new programs or initiatives to the 2012-2013 budget. If these estimates are realized, the District's budgetary General Fund balances are expected to remain virtually unchanged at the close of the 2012-2013 fiscal year. The Pinnacle Early College High School, a project in cooperation with Trinity Valley Community College, is funded primarily by a grant from a local foundation.

#### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Athens Independent School District, 104 Hawn Street, Athens, Texas 75751, phone number 903-677-6937.

TABLE I  
Athens Independent School District  
Net Assets

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Increase (Decrease)</u>
Current and other assets	\$ 18,812,144	\$ 13,687,609	5,124,535
Capital assets	<u>37,042,004</u>	<u>35,001,812</u>	<u>2,040,192</u>
Total Assets	55,854,148	48,689,421	7,164,727
Long-term liabilities	25,874,788	20,875,985	4,998,803
Other liabilities	<u>3,203,181</u>	<u>2,574,118</u>	<u>629,063</u>
Total Liabilities	29,077,969	23,450,103	5,627,866
Net Assets:			
Invested in capital assets net of related debt	11,748,395	14,634,806	( 2,886,411)
Restricted	6,250,068	3,132,662	3,117,406
Unrestricted	<u>8,777,716</u>	<u>7,471,850</u>	<u>1,305,866</u>
<b>Total Net Assets</b>	<b>\$ 26,776,179</b>	<b>\$ 25,239,318</b>	<b>\$ 1,536,861</b>

TABLE II  
Athens Independent School District  
Changes In Net Assets

	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Year Ended</u> <u>June 30, 2011</u>	<u>Increase</u> <u>(Decrease)</u>
<b>Revenues</b>			
Program Revenues			
Charges for Services	624,595	621,670	2,925
Operating grants and contributions	6,080,809	6,829,221	(748,412)
General Revenues			
Maintenance and operations taxes	11,995,612	11,710,881	284,731
Debt service taxes	1,723,003	1,683,049	39,954
State aid – formula grants	10,209,347	10,878,682	(669,335)
Grants and Contributions (not restricted)	529,747	379,049	150,698
Investment earnings	63,850	20,034	43,816
Miscellaneous	340,546	571,766	(231,220)
Transfers In (Out)	<u>--,--0</u>	<u>--,--0</u>	<u>--,--0</u>
Total Revenue	31,567,509	32,694,352	(1,126,843)
<b>Expenses</b>			
Instruction, curriculum and media services	16,740,670	17,443,393	(702,723)
Instructional and school leadership	1,956,235	2,129,031	(172,796)
Student support services	2,262,539	2,363,835	(101,296)
Child nutrition	1,748,216	1,658,734	89,482
Co curricular activities	1,408,577	1,420,022	(11,445)
General administration	1,029,560	1,200,586	(171,026)
Plant maintenance, security & data processing	3,506,249	3,644,552	(138,303)
Community Services	43,710	43,752	(42)
Debt Services	1,073,167	863,178	209,989
Other Intergovernmental Charges (CAD)	<u>261,725</u>	<u>228,393</u>	<u>33,332</u>
Total Expenses	30,030,648	30,995,476	(964,828)
Increase (Decrease) in net assets	1,536,861	1,698,876	(162,015)
Net assets at Beginning of Period	<u>25,239,318</u>	<u>23,540,442</u>	<u>1,698,876</u>
<b>Net assets at End of Period</b>	<b>26,776,179</b>	<b>25,239,318</b>	<b>\$ 1,536,861</b>



## BASIC FINANCIAL STATEMENTS

ATHENS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 10,019,139
1120 Current Investments	3,138,017
1220 Property Taxes Receivable (Delinquent)	1,192,792
1230 Allowance for Uncollectible Taxes	(23,856)
1240 Due from Other Governments	3,695,860
1290 Other Receivables, net	110,417
1300 Inventories	22,051
1410 Deferred Expenses	76,545
1420 Capitalized Bond and Other Debt Issuance Costs	581,179
Capital Assets:	
1510 Land	3,012,032
1520 Buildings, Net	29,319,137
1530 Furniture and Equipment, Net	1,197,915
1580 Construction in Progress	3,512,920
1000 Total Assets	55,854,148
<b>LIABILITIES</b>	
2110 Accounts Payable	729,425
2150 Payroll Deductions & Withholdings	16,195
2160 Accrued Wages Payable	2,088,264
2180 Due to Other Governments	10,198
2200 Accrued Expenses	331,839
2300 Deferred Revenues	27,260
Noncurrent Liabilities	
2501 Due Within One Year	1,619,227
2502 Due in More Than One Year	24,255,561
2000 Total Liabilities	29,077,969
<b>NET ASSETS</b>	
3200 Invested in Capital Assets, Net of Related Debt	11,748,395
3820 Restricted for Federal and State Programs	246,752
3850 Restricted for Debt Service	1,752,506
3860 Restricted for Capital Projects	4,001,153
3870 Restricted for Campus Activities	211,224
3890 Restricted for Other Purposes	38,433
3900 Unrestricted Net Assets	8,777,716
3000 Total Net Assets	\$ 26,776,179

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

ATHENS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 16,200,632	\$ 21,960	\$ 3,766,465	\$ (12,412,207)
12 Instructional Resources and Media Services	341,716	-	14,336	(327,380)
13 Curriculum and Staff Development	198,322	-	153,519	(44,803)
21 Instructional Leadership	454,016	-	176,222	(277,794)
23 School Leadership	1,502,219	-	92,856	(1,409,363)
31 Guidance, Counseling and Evaluation Services	794,481	-	101,259	(693,222)
33 Health Services	181,394	-	14,020	(167,374)
34 Student (Pupil) Transportation	1,286,664	-	139,777	(1,146,887)
35 Food Services	1,748,216	327,336	1,348,858	(72,022)
36 Extracurricular Activities	1,408,577	268,219	26,908	(1,113,450)
41 General Administration	1,029,560	-	70,947	(958,613)
51 Facilities Maintenance and Operations	2,931,174	7,080	92,748	(2,831,346)
52 Security and Monitoring Services	200,701	-	24,896	(175,805)
53 Data Processing Services	374,374	-	14,288	(360,086)
61 Community Services	43,710	-	43,710	-
72 Debt Service - Interest on Long Term Debt	1,041,925	-	-	(1,041,925)
73 Debt Service - Bond Issuance Cost and Fees	31,242	-	-	(31,242)
99 Other Intergovernmental Charges	261,725	-	-	(261,725)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 30,030,648</u>	<u>\$ 624,595</u>	<u>\$ 6,080,809</u>	<u>(23,325,244)</u>

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		11,995,612
DT	Property Taxes, Levied for Debt Service		1,723,003
SF	State Aid - Formula Grants		10,209,347
GC	Grants and Contributions not Restricted		529,747
IE	Investment Earnings		63,850
MI	Miscellaneous Local and Intermediate Revenue		340,546
TR	Total General Revenues		<u>24,862,105</u>
CN	Change in Net Assets		1,536,861
NB	Net Assets--Beginning		25,239,318
NE	Net Assets--Ending		<u>\$ 26,776,179</u>

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

ATHENS INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 4,033,418	\$ 1,637,810	\$ 4,698,389
1120 Investments - Current	3,023,321	114,696	-
1220 Property Taxes - Delinquent	1,045,263	147,529	-
1230 Allowance for Uncollectible Taxes (Credit)	(20,905)	(2,951)	-
1240 Receivables from Other Governments	2,687,089	-	-
1260 Due from Other Funds	-	-	-
1290 Other Receivables	20,953	-	-
1300 Inventories	-	-	-
1410 Deferred Expenditures	76,545	-	-
1000 Total Assets	<u>\$ 10,865,684</u>	<u>\$ 1,897,084</u>	<u>\$ 4,698,389</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
2110 Accounts Payable	\$ 15,003	\$ -	\$ 697,236
2150 Payroll Deductions and Withholdings Payable	16,195	-	-
2160 Accrued Wages Payable	1,842,509	-	-
2170 Due to Other Funds	-	-	-
2180 Due to Other Governments	-	-	-
2300 Deferred Revenues	1,051,358	144,578	-
2000 Total Liabilities	<u>2,925,065</u>	<u>144,578</u>	<u>697,236</u>
Fund Balances:			
Nonspendable Fund Balance:			
3410 Inventories	-	-	-
3430 Prepaid Items	76,545	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	2,802,048
3480 Retirement of Long-Term Debt	-	1,752,506	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3510 Construction	1,500,000	-	1,199,105
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	-	-	-
3600 Unassigned Fund Balance	6,364,074	-	-
3000 Total Fund Balances	<u>7,940,619</u>	<u>1,752,506</u>	<u>4,001,153</u>
4000 Total Liabilities and Fund Balances	<u>\$ 10,865,684</u>	<u>\$ 1,897,084</u>	<u>\$ 4,698,389</u>

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

Other Funds	Total Governmental Funds
\$ (350,478)	\$ 10,019,139
-	3,138,017
-	1,192,792
-	(23,856)
1,008,771	3,695,860
8,514	8,514
89,464	110,417
22,051	22,051
-	76,545
<u>\$ 778,322</u>	<u>\$ 18,239,479</u>
\$ 17,186	\$ 729,425
-	16,195
245,755	2,088,264
8,514	8,514
10,198	10,198
260	1,196,196
<u>281,913</u>	<u>4,048,792</u>
22,051	22,051
-	76,545
224,701	224,701
-	2,802,048
-	1,752,506
38,433	38,433
-	2,699,105
211,224	211,224
-	6,364,074
<u>496,409</u>	<u>14,190,687</u>
<u>\$ 778,322</u>	<u>\$ 18,239,479</u>

ATHENS INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	14,190,687
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$55,185,284 and the accumulated depreciation was \$20,183,472. Other assets related to long term debt issuance are not reported in the governmental funds. At the beginning of the year, other assets included unamortized debt issuance cost of \$508,979 In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The long-term debt was \$20,875,985. The net effect of including the beginning balances for capital assets (net of depreciation), other assets and long-term debt in the governmental activities is to increase (decrease) net assets.		14,634,806
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2012 capital outlays and debt principal payments is to increase (decrease) net assets.		5,487,357
<b>3</b> The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net assets.		(1,687,470)
<b>4</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(5,849,201)
<b>19 Net Assets of Governmental Activities</b>	<u>\$</u>	<u>26,776,179</u>

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

ATHENS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 12,361,630	\$ 1,749,727	\$ 26,358
5800 State Program Revenues	11,247,904	25,397	-
5900 Federal Program Revenues	336,114	168,236	-
5020 Total Revenues	<u>23,945,648</u>	<u>1,943,360</u>	<u>26,358</u>
EXPENDITURES:			
Current:			
0011 Instruction	11,947,430	-	-
0012 Instructional Resources and Media Services	321,843	-	-
0013 Curriculum and Instructional Staff Development	38,076	-	-
0021 Instructional Leadership	289,890	-	-
0023 School Leadership	1,437,917	-	-
0031 Guidance, Counseling and Evaluation Services	729,683	-	-
0033 Health Services	176,853	-	-
0034 Student (Pupil) Transportation	1,149,811	-	18,707
0035 Food Services	-	-	-
0036 Extracurricular Activities	941,473	-	-
0041 General Administration	997,989	-	-
0051 Facilities Maintenance and Operations	2,738,309	-	133,024
0052 Security and Monitoring Services	177,717	-	-
0053 Data Processing Services	362,744	-	5,629
0061 Community Services	-	-	-
Debt Service:			
0071 Principal on Long Term Debt	309,337	1,280,000	-
0072 Interest on Long Term Debt	176,278	716,169	-
0073 Bond Issuance Cost and Fees	750	11,751	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	3,512,920
Intergovernmental:			
0099 Other Intergovernmental Charges	261,725	-	-
6030 Total Expenditures	<u>22,057,825</u>	<u>2,007,920</u>	<u>3,670,280</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,887,823</u>	<u>(64,560)</u>	<u>(3,643,922)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	-	6,525,000
7915 Transfers In	-	-	606,004
8911 Transfers Out (Use)	(606,004)	-	-
8949 Other (Uses)	-	-	(130,500)
7080 Total Other Financing Sources (Uses)	<u>(606,004)</u>	<u>-</u>	<u>7,000,504</u>
1200 Net Change in Fund Balances	1,281,819	(64,560)	3,356,582
0100 Fund Balance - July 1 (Beginning)	<u>6,658,800</u>	<u>1,817,066</u>	<u>644,571</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 7,940,619</u>	<u>\$ 1,752,506</u>	<u>\$ 4,001,153</u>

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

Other Funds	Total Governmental Funds
\$ 709,423	\$ 14,847,138
699,520	11,972,821
4,342,732	4,847,082
<u>5,751,675</u>	<u>31,667,041</u>
3,278,725	15,226,155
-	321,843
159,612	197,688
162,558	452,448
13,145	1,451,062
63,905	793,588
2,999	179,852
93,563	1,262,081
1,835,872	1,835,872
204,505	1,145,978
27,204	1,025,193
24,796	2,896,129
15,697	193,414
-	368,373
43,710	43,710
-	1,589,337
-	892,447
-	12,501
-	3,512,920
-	261,725
<u>5,926,291</u>	<u>33,662,316</u>
<u>(174,616)</u>	<u>(1,995,275)</u>
-	6,525,000
446	606,450
(446)	(606,450)
-	(130,500)
<u>-</u>	<u>6,394,500</u>
<u>(174,616)</u>	<u>4,399,225</u>
<u>671,025</u>	<u>9,791,462</u>
<u>\$ 496,409</u>	<u>\$ 14,190,687</u>



ATHENS INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2012

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	4,399,225
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2012 capital outlays and debt principal payments is to increase (decrease) net assets.		5,487,357
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(1,687,470)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(6,662,251)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b>1,536,861</b>

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

ATHENS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 277,386	\$ 89,498
Total Assets	<u>277,386</u>	<u>\$ 89,498</u>
<b>LIABILITIES</b>		
Accounts Payable	-	\$ 715
Due to Student Groups	-	88,783
Total Liabilities	<u>-</u>	<u>\$ 89,498</u>
<b>NET ASSETS</b>		
Restricted for Scholarships	89,218	
Restricted for Other Purposes	<u>188,168</u>	
Total Net Assets	<u>\$ 277,386</u>	

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

ATHENS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

EXHIBIT E-2

	Private Purpose Trust Funds
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 371,771
Total Additions	<u>371,771</u>
DEDUCTIONS:	
Payroll Costs	4,685
Professional and Contracted Services	83,153
Supplies and Materials	235,614
Other Operating Costs	(2,000)
Total Deductions	<u>321,452</u>
Change in Net Assets	50,319
Total Net Assets - July 1 (Beginning)	<u>227,067</u>
Total Net Assets - June 30 (Ending)	<u><u>\$ 277,386</u></u>

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

ATHENS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2012

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

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

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

ATHENS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2012

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

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

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

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

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

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

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

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

The proprietary fund types and fiduciary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

ATHENS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2012

**D. FUND ACCOUNTING**

The District reports the following fund types:

Governmental Funds:

- 1. General Fund** - The general fund is the District's primary operating fund and is always reported as a major fund. It accounts for all financial resources except those required to be accounted for in another fund.
- 2. Special Revenue Funds** - The District accounts for resources restricted to, or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
- 3. Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
- 4. Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Fiduciary Funds:

- 5. Private Purpose Trust Funds** - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Funds are a scholarship fund and specified donation funds.
- 6. Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the student activity fund.

**E. CASH AND CASH EQUIVALENTS**

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

**F. INVENTORIES**

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

ATHENS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2012

**G. CAPITAL ASSETS**

Capital assets, which include land, buildings, furniture and equipment are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	20
Vehicles	5-10
Furniture and Equipment	5-10

**H. LONG TERM DEBT**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

ATHENS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2012

**I. FUND BALANCE**

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

1. Nonspendable fund balance - includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable.
2. Restricted Fund Balance - includes amounts that are restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions of enabling legislation.
3. Committed Fund Balance - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District’s Board of Trustees. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
4. Assigned Fund Balance - includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Board or by other officials to which the Board has delegated the authority to assign amounts to be used for specific purposes. When it is appropriate for fund balance to be assigned, the Board delegates the responsibility to assign funds to the Superintendent or his/her designee.
5. Unassigned Fund Balance - is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District will utilize funds in the following spending order: Restricted, Committed, Assigned and Unassigned.

**J. DATA CONTROL CODES**

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.



ATHENS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2012

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the Year</u>	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Assets</u>
Land	\$ 3 012 032	\$	\$ 3 012 032	
Buildings & Improvements	47 589 686	16 704 883	30 884 803	
Furniture & Equipment	4 583 566	3 478 589	1 104 977	
Construction in Progress	<u>0</u>			
Totals	<u>\$ 55 185 284</u>	<u>\$ 20 183 472</u>		
Change in Net Assets				<u>\$ 35 001 812</u>
<u>Other Assets at the Beginning of the Year</u>				
Capitalized Bond and Other Debt Issuance Cost				<u>508 979</u>
<u>Long-term Liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			\$ 15 577 543	
Accretion Payable			507 778	
Loans Payable			4 425 000	
Capital Leases Payable			218 564	
Premium (Discount) on Issuance of Bonds			<u>147 100</u>	
Changes in Net Assets				<u>20 875 985</u>
Net Adjustment to Net Assets				<u>\$ 14 634 806</u>

ATHENS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
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**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
Current Year Capital Outlay:			
Land	\$	\$	\$
Buildings & Improvements			
Furniture & Equipment	385 100		
Non Depreciable Assets			
Construction in Progress	<u>3 512 920</u>		
Total Capital Outlay	<u>3 898 020</u>	<u>3 898 020</u>	<u>3 898 020</u>
Debt Principal Payments:			
Bond Principal	1 280 000		
Loan Principal	185 000		
Capital Lease Principal	<u>124 337</u>		
Total Principal Payments	<u>\$ 1 589 337</u>	<u>1 589 337</u>	<u>1 589 337</u>
Total Adjustment to Net Assets		<u>\$ 5 487 357</u>	<u>\$ 5 487 357</u>

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**C. EXPLANATION OF OTHER DIFFERENCES**

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

	Amount	Adjustments to Change in Net Assets	Adjustments to Net Assets
Adjustments to Revenue and Deferred Revenue:			
Taxes Collected from Prior Year Levies	\$ 508 074	\$ (508 074)	\$
Uncollected taxes (assumed collectible) from Current Year Levy	578 900	578 900	578 900
Uncollected Taxes (assumed collectible) from Prior Year Levy	590 036		590 036
Reclassify Proceeds of Bonds:			
QSCB Bond Proceeds	6 525 000	(6 525 000)	(6 525 000)
Reclassify Bond Related Items:			
Bond Issuance Costs	130 500	130 500	130 500
Accrued Interest on Debt:			
Prior Year	285 060	285 060	
Current Year	331 839	(331 839)	(331 839)
Accretion on Capital Appreciation Bonds:			
Current Year Accrued	102 699	(102 699)	(102 699)
Current Year Paid	0		
Bond and Loan Issuance Amortization:			
Current Year	58 300	(58 300)	(58 300)
Bond Premium Amortization:			
Current Year	39 559	39 559	39 559
Capital Asset Adjustment	170 358	<u>(170 358)</u>	<u>(170 358)</u>
Total		<u>\$ (6 662 251)</u>	<u>\$ (5 849 201)</u>

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**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

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

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

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

		<u>June 30, 2012</u> <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$	246 802
Nonappropriated Budget Funds		<u>249 607</u>
All Special Revenue Funds	\$	<u><u>496 409</u></u>

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**B. ENCUMBRANCE ACCOUNTING**

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders or contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30, and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances that were subsequently provided for in the 2012 - 2013 budget.

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**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

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

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

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

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

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. During 2011-2012 the District's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

The largest combined balances of cash, savings and time deposit accounts amounted to \$17,385,745 and occurred on February 9, 2012. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$18,670,272. The total amount of FDIC coverage at the time of the highest combined balance was \$500,000.

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

CASH DEPOSITS

At June 30, 2012, the amount of the District's cash balance in checking accounts was \$10,385,963. Cash on hand was \$60.

INVESTMENTS

The District's investments at June 30, 2012, are shown below:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Tex STAR	\$ 750 122	\$ 750 200	.1315
First Public / Lone Star Investment Pool	685 400	685 469	.1370
Texas CLASS	<u>1 702 495</u>	<u>1 702 672</u>	.0904
 Total Investments	 <u>\$ 3 138 017</u>	 <u>\$ 3 138 341</u>	

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

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

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**B. PROPERTY TAXES**

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

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

The assessed value of the property tax roll on January 1, 2011 upon which the levy for the 2011-2012 fiscal year was based, was \$1,164,508,362. The tax rates assessed for the year ended June 30, 2012 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.03738 and \$.14909 per \$100 valuation, respectively, for a total of \$1.18647 per \$100 valuation. Current tax collections for the year ended June 30, 2012 were 95.7% of the year end adjusted tax levy. As of June 30, 2012, property taxes receivable totaled \$1,045,263 and \$147,529 for the General and Debt Service Funds respectively.

**C. DUE FROM OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2012 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
State Entitlements	\$ 2 687 089	\$	\$	\$	\$ 2 687 089
Other State Grants				446	446
Federal Grants				<u>1 008 325</u>	<u>1 008 325</u>
Totals	<u>\$ 2 687 089</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1 008 771</u>	<u>\$ 3 695 860</u>



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**D. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at June 30, 2012 consisted of the following individual fund amounts:

<u>Fund</u> _____	<u>Due From</u>	<u>Due to</u>
Special Revenue Fund:		
Special Revenue Fund	\$ 8 514	\$ 8 514
Totals	<u>\$ 8 514</u>	<u>\$ 8 514</u>

Interfund transfers for the year ended June 30, 2012 consisted of the following individual fund amounts:

<u>Fund</u> _____	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Capital Projects	\$	\$ 606 004
Capital Projects Fund:		
General Fund	<u>606 004</u>	_____
Totals	<u>\$ 606 004</u>	<u>\$ 606 004</u>

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**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at June 30, 2012, were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 1 045 263	\$ 147 529	\$	\$	\$ 1 192 792
Other Governments	2 687 089			1 008 771	3 695 860
Other Funds				8 514	8 514
Other Receivables	<u>20 953</u>			<u>89 464</u>	<u>110 417</u>
Totals	<u>\$ 3 753 305</u>	<u>\$ 147 529</u>	<u>\$ 0</u>	<u>\$ 1 106 749</u>	<u>\$ 5 007 583</u>

Payables at June 30, 2012, were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
Accounts Payable	\$ 15 003	\$	\$ 697 236	\$ 17 186	\$ 729 425
Payroll Deductions	16 195				16 195
Accrued Wages	1 842 509			245 755	2 088 264
Other Funds				8 514	8 514
Other Governments				<u>10 198</u>	<u>10 198</u>
Totals	<u>\$ 1 873 707</u>	<u>\$ 0</u>	<u>\$ 697 236</u>	<u>\$ 281 653</u>	<u>\$ 2 852 596</u>

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**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	\$ 3 012 032	\$	\$	\$ 3 012 032
Buildings & Improvements	47 589 686		(200 771)	47 388 915
Furniture & Equipment	4 565 449	385 100	(125 616)	4 824 933
Non Depreciable Assets	18 117			18 117
Construction In Progress	<u>0</u>	<u>3 512 920</u>		<u>3 512 920</u>
Total at Historical Cost	<u>55 185 284</u>	<u>3 898 020</u>	<u>(326 387)</u>	<u>58 756 917</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	16 704 883	1 395 308	(30 413)	18 069 778
Furniture and Equipment	<u>3 478 589</u>	<u>292 162</u>	<u>(125 616)</u>	<u>3 645 135</u>
Total Accumulated Depreciation	<u>20 183 472</u>	<u>1 687 470</u>	<u>(156 029)</u>	<u>21 714 913</u>
Governmental Activities Capital Assets, Net	<u>\$ 35 001 812</u>	<u>\$ 2 210 550</u>	<u>\$ (170 358)</u>	<u>\$ 37 042 004</u>

Depreciation expense was charged to governmental functions as follows:

11	Instruction	\$ 1 025 049
12	Instructional Resources and Media Services	19 873
13	Curriculum Development and Instructional Staff Development	634
21	Instructional Leadership	1 568
23	School Leadership	51 157
31	Guidance, Counseling and Evaluation Services	893
33	Health Services	1 542
34	Student (Pupil) Transportation	156 512
35	Food Services	102 631
36	Cocurricular/Extracurricular Activities	262 599
41	General Administration	4 367
51	Plant Maintenance and Operations	47 357
52	Security and Monitoring Services	7 287
53	Data Processing Services	<u>6 001</u>
Total Depreciation Expense		<u>\$ 1 687 470</u>

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**G. BONDS PAYABLE**

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

A summary of changes in bonds payable for the year ended June 30, 2012 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 7/1/11</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 6/30/12</u>	<u>Interest Current Year</u>
Unlimited Tax Refunding Bonds Series 2005	3.15% to 4.88%	\$15 295 000	\$ 11 987 543	\$ 0	\$ 1 110 000	\$ 10 877 543	\$ 431 525
Unlimited Tax School Building Bonds Series 2009	3.00% to 3.7%	3 750 000	\$ 3 590 000	\$ 0	\$ 170 000	\$ 3 420 000	\$ 116 408
Unlimited Tax Qualified School Construction Bonds Series 2011	4.55%	\$ 6 525 000	\$ 0	\$ 6 525 000	\$ 0	\$ 6 525 000	\$ 168 236
Totals			<u>\$ 15 577 543</u>	<u>\$ 6 525 000</u>	<u>\$ 1 280 000</u>	<u>\$ 20 822 543</u>	<u>\$ 716 169</u>

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Debt service requirements are as follows:

Year Ended June 30	General Obligations				Federal Interest Subsidy Amount "QSCB"
	Principal	Sinking Fund	Interest	Total Requirements	
2013	\$ 1 340 000	\$	\$ 788 495	\$ 2 128 495	\$ (296 888)
2014	1 410 000		729 432	2 139 432	(296 887)
2015	1 480 000		667 183	2 147 183	(296 888)
2016	1 545 000		601 807	2 146 807	(296 887)
2017	1 625 000		533 358	2 158 358	(296 888)
2018-2022	5 907 543	1 235 000	3 477 877	10 620 420	(1 484 438)
2023-2025	<u>990 000</u>	<u>5 290 000</u>	<u>1 094 351</u>	<u>7 374 351</u>	<u>(1 039 106)</u>
Totals	<u>\$ 14 297 543</u>	<u>\$ 6 525 000</u>	<u>\$ 7 892 503</u>	<u>\$ 28 715 046</u>	<u>\$ (4 007 982)</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2012.

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statement. As of June 30, 2012 \$11,035,000 of bonds considered defeased are still outstanding.

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**H. LOANS PAYABLE**

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

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

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

A summary of changes in loans payable for the year ended June 30, 2012 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 7/1/11</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 6/30/12</u>	<u>Interest Current Year</u>
Maintenance Tax Refunding Bonds Series 2009	2.0% to 3.5%	\$ 1 960 000	\$ 1 620 000	\$	\$ 185 000	\$ 1 435 000	\$ 47 990
Maintenance Tax Note Series 2009	3.75% to 4.60%	\$ 2 805 000	\$ 2 805 000	\$	0	\$ 2 805 000	\$ 120 252
<b>Totals</b>			<u>\$ 4 425 000</u>	<u>\$ 0</u>	<u>\$ 185 000</u>	<u>\$ 4 240 000</u>	<u>\$ 168 242</u>

Debt service requirements are as follows:

<u>Year Ended June 30</u>	<u>General Obligations</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2013	\$ 185 000	\$ 164 543	\$ 349 543
2014	190 000	159 917	349 917
2015	200 000	154 693	354 693
2016	205 000	148 693	353 693
2017	210 000	142 542	352 542
2018-2022	1 165 000	597 752	1 762 752
2023-2027	1 420 000	343 500	1 763 500
2028-2029	665 000	45 905	710 905
<b>Totals</b>	<u>\$ 4 240 000</u>	<u>\$ 1 757 545</u>	<u>\$ 5 997 545</u>

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**I. CAPITAL LEASES PAYABLE**

The proceeds of capital lease agreements are shown in the financial statements as Other Resources and lease principal and interest payments are shown as debt services of the appropriate fund.

The District acquired lighting equipment on July 3, 2008 under a long-term, noncancellable (capital) lease agreement, authorized under Local Government Code Section 34.009. The capitalized cost in the General Capital Assets Account Group at June 30, 2012 was \$380,644. This capital lease was repaid during the current year. The effective interest rate was 3.99%

The District acquired five buses on July 8, 2008 under a long-term, noncancellable (capital) lease agreement, authorized under Local Government Code Section 34.009. The capitalized cost in the General Capital Assets Account Group at June 30, 2012 was \$452,791, and the capital lease payable at June 30, 2012 was \$184,630, and the annual payments (which extend through fiscal year 2013) are \$98,213. The effective interest rate is 4.23%.

A summary of changes in capital leases payable for the year ended June 30, 2012 is as follows:

Description/ Purpose	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 7/1/11	Issued	Retired	Amounts Outstanding 6/30/12	Interest Current Year
Lighting Equipment	3.99%	\$ 380 644	\$ 33 934	\$	\$ 33 934	\$ 0	\$ 226
Buses	4.23%	452 791	184 630		90 403	94 227	7 810
Totals			<u>\$ 218 564</u>	<u>\$ 0</u>	<u>\$ 124 337</u>	<u>\$ 94 227</u>	<u>\$ 8 036</u>

Debt service requirements are as follows:

Year Ended June 30	Principal	Interest	Total Requirements
2013	\$ 94 227	\$ 3 986	\$ 98 213
Totals	<u>\$ 94 227</u>	<u>\$ 3 986</u>	<u>\$ 98 213</u>

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**J. CHANGES IN LONG-TERM LIABILITIES**

Long-term liabilities activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 15 577 543	\$ 6 525 000	\$ 1 280 000	\$ 20 822 543	\$ 1 340 000
Accretion Payable:					
Capital Appreciation Bonds	507 778	102 699		610 477	0
Loans Payable:					
Maintenance Tax Notes	4 425 000		185 000	4 240 000	185 000
Capital Lease Payable:					
Lease Agreements	218 564		124 337	94 227	94 227
Premium (Discount) on Issuance of Bonds:					
Premium	147 101		39 559	107 542	0
Total Governmental Activities Long-term Liabilities	<u>\$ 20 875 986</u>	<u>\$ 6 627 699</u>	<u>\$ 1 628 896</u>	<u>\$ 25 874 789</u>	<u>\$ 1 619 227</u>

**K. DEFERRED REVENUE**

Deferred revenue at year-end consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total
Net Tax Revenue	\$ 1 024 358	\$ 144 578	\$	\$	\$ 1 168 936
Facilities Lease	27 000				27 000
Campus Activity				260	260
Totals	<u>\$ 1 051 358</u>	<u>\$ 144 578</u>	<u>\$ 0</u>	<u>\$ 260</u>	<u>\$ 1 196 196</u>



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**L. FUND BALANCE**

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

Fund Balance	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total
Nonspendable:					
Inventory	\$ 76 545	\$	\$	\$ 22 051	\$ 22 051
Prepaid / Deferred	<u>76 545</u>	<u></u>	<u></u>	<u></u>	<u>76 545</u>
Total Nonspendable	<u>76 545</u>	<u></u>	<u></u>	<u></u>	<u>98 596</u>
Restricted:					
Federal Grants				224 031	224 031
State Grants				670	670
Debt Service		1 752 506			1 752 506
Capital Projects			2 802 048		2 802 048
Other				38 433	38 433
Total Restricted	<u></u>	<u>1 752 506</u>	<u>2 802 048</u>	<u>263 134</u>	<u>4 817 688</u>
Committed:					
Construction	1 500 000		1 199 105		2 699 105
Total Committed	<u>1 500 000</u>	<u></u>	<u>1 199 105</u>	<u></u>	<u>2 699 105</u>
Assigned:					
Campus Activity				211 224	211 224
Total Assigned	<u></u>	<u></u>	<u></u>	<u>211 224</u>	<u>211 224</u>
Unassigned	6 364 074				6 364 074
Total Fund Balances	<u>\$ 7 940 619</u>	<u>\$ 1 752 506</u>	<u>\$ 4 001 153</u>	<u>\$ 496 409</u>	<u>\$ 14 190 687</u>

ATHENS INDEPENDENT SCHOOL DISTRICT  
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FOR THE YEAR ENDED JUNE 30, 2012

**M. LOCAL AND INTERMEDIATE SOURCES OF REVENUES**

During the current year, local and intermediate sources of revenues consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 11 933 726	\$ 1 714 063	\$	\$	\$ 13 647 789
Penalties, Interest & Other					
Tax Related Income	210 881	30 150			241 031
Food Sales				327 336	327 336
Investment Income	30 164	5 514	26 358	1 813	63 849
Co-curricular Student					
Activities	56 995			211 224	268 219
Other	<u>129 864</u>			<u>169 050</u>	<u>298 914</u>
Totals	<u>\$ 12 361 630</u>	<u>\$ 1 749 727</u>	<u>\$ 26 358</u>	<u>\$ 709 423</u>	<u>\$ 14 847 138</u>

**N. COMMITMENTS UNDER LEASES**

Commitments under operating (noncapitalized) lease agreements for equipment provided for minimum future rental payments as of June 30, 2012, as follows:

<u>Year Ended June 30</u>	<u>Total</u>
2013	\$ 123 338
2014	109 631
2015	105 939
2016	35 558
2017	<u>7 957</u>
Total Minimum Rentals	<u>\$ 382 423</u>
Rental Expenditures in Fiscal Year 2012	<u>\$ 126 618</u>

ATHENS INDEPENDENT SCHOOL DISTRICT  
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**O. PENSION PLAN**

Plan Description

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

Funding Policy

The state contribution rate is 6.644% and the member contribution rate is 6.4%. In certain instances the District is required to make all or a portion of the state's 6.644% contribution. Contribution requirements are not actuarially determined but are legally established each biennium by the Legislature of the State of Texas.

The District's employees' contributions to the System for the years ending June 30, 2010, June 30, 2011 and June 30, 2012 were \$1,186,890, \$1,157,671 and \$1,075,536, respectively. Other contributions made from federal and private grants and from the district for salaries above the statutory minimum for the years ending June 30, 2010, June 30, 2011 and June 30, 2012 were \$189,966, \$176,464 and \$192,677, respectively.

The on behalf amounts contributed by the State, \$1,039,517, are reflected in the financial statements in the General Fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24.

**P. HEALTH CARE**

During the year ended June 30, 2012 employees of the Athens Independent School District were covered by the state sponsored health insurance plan. The district paid premiums of \$250 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents.

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

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

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

ATHENS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2012

**Q. SCHOOL DISTRICT RETIREE HEALTH PLAN**

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Medicare Part D:

Federal Government Retiree Drug Subsidy - Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by the District. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire payroll reported by all reporting entities. The amount allocated on-behalf for the year ended June 30, 2012 is estimated by TRS at \$37,438.

Early Retiree Reinsurance Program - ERRP:

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 dependants regardless of age. An "early retiree" is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor. This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program. These funds will be allocated to reporting agencies using the same basis as the Medicare Part D - On-behalf Payments (GASB 24) The amount allocated on-behalf for the year ended June 30, 2012 is estimated by TRS at \$41,282.

**R. COMPENSATED ABSENCES**

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment.

ATHENS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2012

**S. CONSTRUCTION AND OTHER COMMITMENTS AND CONTINGENCIES**

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2012 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**T. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. During fiscal year 2012 the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**U. SUBSEQUENT EVENTS**

A Qualified School Construction Bond program was approved in the amount of \$6,525,000 for construction and improvements of school district facilities. The proceeds of the bond program were received in July, 2011. The construction project is continuing during the 2012-2013 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

ATHENS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 11,805,073	\$ 11,841,027	\$ 12,361,630	\$ 520,603
5800	State Program Revenues	10,821,378	10,821,378	11,247,904	426,526
5900	Federal Program Revenues	250,000	250,000	336,114	86,114
5020	Total Revenues	22,876,451	22,912,405	23,945,648	1,033,243
EXPENDITURES:					
Current:					
0011	Instruction	11,803,187	11,951,137	11,947,430	3,707
0012	Instructional Resources and Media Services	370,446	331,746	321,843	9,903
0013	Curriculum and Instructional Staff Development	65,142	49,642	38,076	11,566
0021	Instructional Leadership	297,963	297,963	289,890	8,073
0023	School Leadership	1,462,109	1,464,659	1,437,917	26,742
0031	Guidance, Counseling and Evaluation Services	733,231	737,531	729,683	7,848
0033	Health Services	200,777	189,177	176,853	12,324
0034	Student (Pupil) Transportation	1,154,242	1,176,544	1,149,811	26,733
0036	Extracurricular Activities	1,035,000	967,523	941,473	26,050
0041	General Administration	1,139,193	1,039,193	997,989	41,204
0051	Facilities Maintenance and Operations	3,091,486	2,783,615	2,738,309	45,306
0052	Security and Monitoring Services	182,576	182,576	177,717	4,859
0053	Data Processing Services	414,709	384,709	362,744	21,965
Debt Service:					
0071	Principal on Long Term Debt	309,337	309,337	309,337	-
0072	Interest on Long Term Debt	177,163	176,283	176,278	5
0073	Bond Issuance Cost and Fees	-	880	750	130
Intergovernmental:					
0099	Other Intergovernmental Charges	263,883	263,886	261,725	2,161
6030	Total Expenditures	22,700,444	22,306,401	22,057,825	248,576
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	176,007	606,004	1,887,823	1,281,819
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	176,004	(606,004)	(606,004)	-
7080	Total Other Financing Sources (Uses)	176,004	(606,004)	(606,004)	-
1200	Net Change in Fund Balances	352,011	-	1,281,819	1,281,819
0100	Fund Balance - July 1 (Beginning)	6,658,800	6,658,800	6,658,800	-
3000	Fund Balance - June 30 (Ending)	\$ 7,010,811	\$ 6,658,800	\$ 7,940,619	\$ 1,281,819

## COMBINING STATEMENTS



ATHENS INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ (132,076)	\$ (141,868)	\$ 42	\$ (326,617)
1240	Receivables from Other Governments	241,969	172,181	1,598	338,803
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	39	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 109,932</u>	<u>\$ 30,313</u>	<u>\$ 1,640</u>	<u>\$ 12,186</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ -	\$ 45	\$ -	\$ -
2160	Accrued Wages Payable	109,932	30,268	1,640	12,186
2170	Due to Other Funds	-	-	-	-
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>109,932</u>	<u>30,313</u>	<u>1,640</u>	<u>12,186</u>
Fund Balances:					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 109,932</u>	<u>\$ 30,313</u>	<u>\$ 1,640</u>	<u>\$ 12,186</u>

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income	279 Title II, D ARRA - Ed. Technology
\$ 234,745	\$ -	\$ (23,175)	\$ (33,823)	\$ (16,836)	\$ -	\$ (8,561)	\$ -
-	9,458	23,175	55,798	22,394	-	16,430	-
8,514	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
22,051	-	-	-	-	-	-	-
<u>\$ 265,310</u>	<u>\$ 9,458</u>	<u>\$ -</u>	<u>\$ 21,975</u>	<u>\$ 5,558</u>	<u>\$ -</u>	<u>\$ 7,869</u>	<u>\$ -</u>
\$ 16,822	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,406	944	-	21,975	5,558	-	7,869	-
-	8,514	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>19,228</u>	<u>9,458</u>	<u>-</u>	<u>21,975</u>	<u>5,558</u>	<u>-</u>	<u>7,869</u>	<u>-</u>
22,051	-	-	-	-	-	-	-
224,031	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>246,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 265,310</u>	<u>\$ 9,458</u>	<u>\$ -</u>	<u>\$ 21,975</u>	<u>\$ 5,558</u>	<u>\$ -</u>	<u>\$ 7,869</u>	<u>\$ -</u>

ATHENS INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

Data Control Codes	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program	287 Education Jobs Fund	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ (116,373)
1240	Receivables from Other Governments	-	-	-	126,519
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,146</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	10,146
2170	Due to Other Funds	-	-	-	-
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,146</u>
Fund Balances:					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,146</u>

EXHIBIT H-1 (Cont'd)

289 Summer School LEP	385 Visually Impaired SSVI	394 Life Skills Program	397 Advanced Placement Incentives	410 State Textbook Fund	411 Technology Allotment	415 Kindergarten and Pre-K Grants	427 Ready To Read License Plate
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 224
-	-	-	-	446	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	446	-	-	224
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	446	-	-	224
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224</u>

ATHENS INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

Data Control Codes	429 District Awards Teacher Excel	461 Campus Activity Funds	480 Dairy Max Grant	494 Teacher Incentive Fund	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ 221,916	\$ 4,500	\$ (46,594)
1240	Receivables from Other Governments	-	-	-	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	89,425
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 221,916</u>	<u>\$ 4,500</u>	<u>\$ 42,831</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ -	\$ 234	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	42,831
2170	Due to Other Funds	-	-	-	-
2180	Due to Other Governments	-	10,198	-	-
2300	Deferred Revenues	-	260	-	-
2000	Total Liabilities	<u>-</u>	<u>10,692</u>	<u>-</u>	<u>42,831</u>
Fund Balances:					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Other Restricted Fund Balance	-	-	4,500	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	211,224	-	-
3000	Total Fund Balances	<u>-</u>	<u>211,224</u>	<u>4,500</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 221,916</u>	<u>\$ 4,500</u>	<u>\$ 42,831</u>

496 Athens Public Education Grant	497 Texas High School Project	498 Murchison Foundation Pinnacle ECHS	Total Nonmajor Governmental Funds
\$ 3,554	\$ 44	\$ 30,420	\$ (350,478)
-	-	-	1,008,771
-	-	-	8,514
-	-	-	89,464
-	-	-	22,051
<u>\$ 3,554</u>	<u>\$ 44</u>	<u>\$ 30,420</u>	<u>\$ 778,322</u>
\$ -	\$ -	\$ 85	\$ 17,186
-	-	-	245,755
-	-	-	8,514
-	-	-	10,198
-	-	-	260
<u>-</u>	<u>-</u>	<u>85</u>	<u>281,913</u>
-	-	-	22,051
-	-	-	224,701
3,554	44	30,335	38,433
-	-	-	211,224
<u>3,554</u>	<u>44</u>	<u>30,335</u>	<u>496,409</u>
<u>\$ 3,554</u>	<u>\$ 44</u>	<u>\$ 30,420</u>	<u>\$ 778,322</u>

ATHENS INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	935,501	592,390	13,401	341,705
5020 Total Revenues	<u>935,501</u>	<u>592,390</u>	<u>13,401</u>	<u>341,705</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	697,966	442,521	13,401	324,182
0013 Curriculum and Instructional Staff Development	48,824	54,755	-	3,525
0021 Instructional Leadership	105,324	58,277	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	16,069	36,837	-	10,999
0033 Health Services	-	-	-	2,999
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	23,608	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	43,710	-	-	-
6030 Total Expenditures	<u>935,501</u>	<u>592,390</u>	<u>13,401</u>	<u>341,705</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income	279 Title II, D ARRA - Ed. Technology
\$ 329,149	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10,311	-	-	-	-	-	-	-
1,342,695	9,458	49,331	165,108	62,147	36,801	63,182	3,654
<u>1,682,155</u>	<u>9,458</u>	<u>49,331</u>	<u>165,108</u>	<u>62,147</u>	<u>36,801</u>	<u>63,182</u>	<u>3,654</u>
-	-	49,331	164,246	62,147	36,801	39,285	-
-	-	-	862	-	-	8,200	3,654
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,820,020	9,458	-	-	-	-	-	-
-	-	-	-	-	-	-	-
20,000	-	-	-	-	-	-	-
-	-	-	-	-	-	15,697	-
-	-	-	-	-	-	-	-
<u>1,840,020</u>	<u>9,458</u>	<u>49,331</u>	<u>165,108</u>	<u>62,147</u>	<u>36,801</u>	<u>63,182</u>	<u>3,654</u>
(157,865)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(157,865)	-	-	-	-	-	-	-
403,947	-	-	-	-	-	-	-
<u>\$ 246,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



ATHENS INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

Data Control Codes	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program	287 Education Jobs Fund
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	110,005	127	51,710	563,297
5020 Total Revenues	<u>110,005</u>	<u>127</u>	<u>51,710</u>	<u>563,297</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	15,942	127	52,753	563,297
0013 Curriculum and Instructional Staff Development	500	-	-	-
0021 Instructional Leadership	-	-	(1,043)	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	93,563	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>110,005</u>	<u>127</u>	<u>51,710</u>	<u>563,297</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

289 Summer School LEP	385 Visually Impaired SSVI	394 Life Skills Program	397 Advanced Placement Incentives	410 State Textbook Fund	411 Technology Allotment	415 Kindergarten and Pre-K Grants	427 Ready To Read License Plate
\$ -	\$ -	\$ -	\$ 250	\$ -	\$ -	\$ -	\$ -
-	1,700	12,704	1,782	112,820	-	-	-
2,220	-	-	-	-	-	-	-
<u>2,220</u>	<u>1,700</u>	<u>12,704</u>	<u>2,032</u>	<u>112,820</u>	<u>-</u>	<u>-</u>	<u>-</u>
2,220	1,700	12,704	784	112,820	23,861	8,091	-
-	-	-	2,804	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,220</u>	<u>1,700</u>	<u>12,704</u>	<u>3,588</u>	<u>112,820</u>	<u>23,861</u>	<u>8,091</u>	<u>-</u>
-	-	-	(1,556)	-	(23,861)	(8,091)	-
-	-	-	-	446	-	-	-
-	-	-	-	-	(446)	-	-
-	-	-	-	446	(446)	-	-
-	-	-	(1,556)	446	(24,307)	(8,091)	-
-	-	-	1,556	-	24,307	8,091	224
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224</u>

ATHENS INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

Data Control Codes	429 District Awards Teacher Excel	461 Campus Activity Funds	480 Dairy Max Grant	494 Teacher Incentive Fund	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ 211,224	\$ -	\$ -
5800	State Program Revenues	201,682	-	-	358,521
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	<u>201,682</u>	<u>211,224</u>	<u>-</u>	<u>358,521</u>
EXPENDITURES:					
Current:					
0011	Instruction	174,094	-	-	325,977
0013	Curriculum and Instructional Staff Development	3,253	-	-	28,948
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	13,145	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0033	Health Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	6,394	-	-	-
0036	Extracurricular Activities	-	204,505	-	-
0041	General Administration	-	-	-	3,596
0051	Facilities Maintenance and Operations	4,796	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0061	Community Services	-	-	-	-
6030	Total Expenditures	<u>201,682</u>	<u>204,505</u>	<u>-</u>	<u>358,521</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>6,719</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
8911	Transfers Out (Use)	-	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	6,719	-	-
0100	Fund Balance - July 1 (Beginning)	<u>-</u>	<u>204,505</u>	<u>4,500</u>	<u>-</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ 211,224</u>	<u>\$ 4,500</u>	<u>\$ -</u>

496 Athens Public Education Grant	497 Texas High School Project	498 Murchison Foundation Pinnacle ECHS	Total Nonmajor Governmental Funds
\$ 14,500	\$ 4,300	\$ 150,000	\$ 709,423
-	-	-	699,520
-	-	-	4,342,732
<u>14,500</u>	<u>4,300</u>	<u>150,000</u>	<u>5,751,675</u>
13,872	-	140,603	3,278,725
-	4,287	-	159,612
-	-	-	162,558
-	-	-	13,145
-	-	-	63,905
-	-	-	2,999
-	-	-	93,563
-	-	-	1,835,872
-	-	-	204,505
-	-	-	27,204
-	-	-	24,796
-	-	-	15,697
-	-	-	43,710
<u>13,872</u>	<u>4,287</u>	<u>140,603</u>	<u>5,926,291</u>
<u>628</u>	<u>13</u>	<u>9,397</u>	<u>(174,616)</u>
-	-	-	446
-	-	-	(446)
-	-	-	-
<u>628</u>	<u>13</u>	<u>9,397</u>	<u>(174,616)</u>
<u>2,926</u>	<u>31</u>	<u>20,938</u>	<u>671,025</u>
<u>\$ 3,554</u>	<u>\$ 44</u>	<u>\$ 30,335</u>	<u>\$ 496,409</u>

REQUIRED TEA SCHEDULES

ATHENS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED JUNE 30, 2012

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2003 and prior years	Various	Various	\$ Various
2004	1.375000	0.105000	787,519,257
2005	1.385000	0.115000	834,659,733
2006	1.454000	0.116000	850,712,573
2007	1.329260	0.116000	930,094,032
2008	1.037380	0.116000	994,276,441
2009	1.037380	0.116000	1,048,529,594
2010	1.037380	0.149090	1,137,304,695
2011	1.037380	0.149090	1,141,663,954
2012 (School year under audit)	1.037380	0.149090	1,164,508,362
1000 TOTALS			

	(10) Beginning Balance 7/1/2011	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2012
\$	134,583	\$ -	\$ 3,409	\$ 1,030	\$ (12,227)	\$ 117,917
	30,639	-	774	59	(1,674)	28,132
	31,402	-	725	60	(2,356)	28,261
	41,726	-	2,182	174	(1,855)	37,515
	45,879	-	4,130	360	(2,134)	39,255
	42,620	-	6,339	709	(1,717)	33,855
	71,347	-	19,465	2,177	(1,615)	48,090
	157,620	-	67,216	9,660	3,082	83,826
	564,704	-	324,546	46,643	(8,288)	185,227
	-	13,816,542	11,689,250	1,468,853	(67,725)	590,714
\$	<u>1,120,520</u>	\$ <u>13,816,542</u>	\$ <u>12,118,036</u>	\$ <u>1,529,725</u>	\$ <u>(96,509)</u>	\$ <u>1,192,792</u>

ATHENS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014  
 GENERAL AND SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

**FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST**

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 173,884	\$ 599,015	\$ -	\$ -	\$ 772,899
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	45,934	-	-	-	-	-	45,934
6212	Audit Services	-	-	-	22,500	-	-	22,500
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	278,913	-	-	-	-	278,913
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	23,556	4,278	-	-	27,834
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	600	5,980	-	-	6,580
6240	Contr. Maint. and Repair	-	-	-	-	4,943	-	4,943
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	2,304	-	-	2,304
6290	Miscellaneous Contr.	17,100	-	-	648	-	-	17,748
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	4,525	298	4,529	31,029	-	-	40,381
6410	Travel, Subsistence, Stipends	11,705	-	5,002	6,600	-	-	23,307
6420	Ins. and Bonding Costs	9,953	-	-	-	-	-	9,953
6430	Election Costs	15,830	-	-	-	-	-	15,830
6490	Miscellaneous Operating	-	-	1,874	12,284	3,634	-	17,792
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	<b>TOTAL</b>	<b>\$ 105,047</b>	<b>\$ 279,211</b>	<b>\$ 209,445</b>	<b>\$ 684,638</b>	<b>\$ 8,577</b>	<b>\$ -</b>	<b>\$ 1,286,918</b>

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 27,984,117

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 378,875
Total Debt & Lease(6500)	(11) 486,365
Plant Maintenance (Function 51, 6100-6400)	(12) 2,757,018
Food (Function 35, 6341 and 6499)	(13) 17,781
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	684,638

SubTotal: 4,324,677

Net Allowed Direct Cost \$ 23,659,440

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 47,388,915
Historical Cost of Building over 50 years old	(16) \$ 1,319,464
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 4,843,050
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 146,084
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.  
 \$261,725 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.



ATHENS INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
 FOR THE YEAR ENDED JUNE 30, 2012

EXHIBIT J-3

**UNAUDITED**

1	Total General Fund Balance as of 6/30/12 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 7,940,619
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 76,545	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	1,500,000	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	1,500,000	
7	Estimate of two month's average cash disbursements during the fiscal year.	3,700,000	
8	Estimate of delayed payments from state sources (58xx).	-	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	1,008,326	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>7,784,871</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u>\$ 155,748</u>

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

The funds will be used toward capital improvements including roofing, HVAC and acquiring buses.

ATHENS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED JUNE 30, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 455,745	\$ 455,745	\$ 329,149	\$ (126,596)
5800 State Program Revenues	10,000	10,000	10,311	311
5900 Federal Program Revenues	1,469,526	1,469,526	1,342,695	(126,831)
5020 Total Revenues	1,935,271	1,935,271	1,682,155	(253,116)
EXPENDITURES:				
0035 Food Services	1,915,271	1,915,271	1,820,020	95,251
0051 Facilities Maintenance and Operations	20,000	20,000	20,000	-
6030 Total Expenditures	1,935,271	1,935,271	1,840,020	95,251
1200 Net Change in Fund Balances	-	-	(157,865)	(157,865)
0100 Fund Balance - July 1 (Beginning)	403,947	403,947	403,947	-
3000 Fund Balance - June 30 (Ending)	\$ 403,947	\$ 403,947	\$ 246,082	\$ (157,865)

ATHENS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,830,000	\$ 1,840,820	\$ 1,749,727	\$ (91,093)
5800	State Program Revenues	-	-	25,397	25,397
5900	Federal Program Revenues	-	168,236	168,236	-
5020	Total Revenues	1,830,000	2,009,056	1,943,360	(65,696)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	1,280,000	1,280,000	1,280,000	-
0072	Interest on Long Term Debt	547,933	716,236	716,169	67
0073	Bond Issuance Cost and Fees	2,067	12,820	11,751	1,069
6030	Total Expenditures	1,830,000	2,009,056	2,007,920	1,136
1200	Net Change in Fund Balances	-	-	(64,560)	(64,560)
0100	Fund Balance - July 1 (Beginning)	1,817,066	1,817,066	1,817,066	-
3000	Fund Balance - June 30 (Ending)	\$ 1,817,066	\$ 1,817,066	\$ 1,752,506	\$ (64,560)

COMPLIANCE, INTERNAL CONTROL AND FEDERAL AWARDS

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

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

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

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

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 11, 2012. 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.

Internal Control Over Financial Reporting

The management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

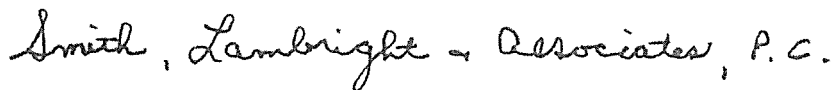
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

We noted other matters that we reported to the Board of Trustees and management of the District in a separate letter dated October 11, 2012.

This report is intended solely for the information and use of the Board of Trustees, audit committee, management, Texas Education Agency, federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

Respectfully submitted,



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

October 11, 2012

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

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

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

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

Members of the Board of Trustees:

Compliance

We have audited the District's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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, Audit of States, Local Government, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, audit committee, management, Texas Education Agency, federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

Respectfully submitted,



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

October 11, 2012



ATHENS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR YEAR ENDED JUNE 30, 2012

I. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes  X  no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes  X  no
- Significant Deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section \_\_\_\_, 510 (a), OMB Circular A-133? \_\_\_\_\_ yes  X  no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	ESEA Title I:
84.010A	ESEA Title I
84.389	ESEA Title I ARRA
84.394	Title XIV - SFFA - ARRA
84.410	Education Jobs Fund
	IDEA Cluster:
84.027	IDEA - Part B, Formula
84.027	IDEA - Part B, Discretionary
84.173	IDEA - Part B, Preschool
84.391	IDEA - Part B Formula ARRA
84.392	IDEA - Part B, Preschool ARRA

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low risk auditee?  X  yes \_\_\_\_\_ no

District Contact Person Randy D. Jones, C.P.A.  
Chief Financial Officer

ATHENS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2012

II. Financial Statement Findings

The audit disclosed no finding required to be reported.

III. Federal Awards Findings and Questioned Costs

The audit disclosed no finding required to be reported.

ATHENS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012

N/A

ATHENS INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2012

N/A

ATHENS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12-610101107901	\$ 935,501
*ESEA, Title I, A - ARRA -Improving Basic Programs	84.389	10-551001107901	51,710
Total Title I, Part A Cluster			987,211
**IDEA - Part B, Formula	84.027	12-660001107901	592,390
**IDEA - Part B, Discretionary	84.027	12-660006107901	341,705
Total CFDA Number 84.027			934,095
**IDEA - Part B, Preschool	84.173	12-661001107901	13,401
**IDEA, Part B, Formula - ARRA	84.391	10-554001107901	110,005
**IDEA, Part B, Preschool - ARRA	84.392	10-555001107901	127
Total Special Education Cluster (IDEA)			1,057,628
Career and Technical - Basic Grant	84.048	12-420006107901	49,331
Title II D Enhancing Ed Through Technology - ARRA	84.386	10-553001107901	3,654
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	12-696001107901	63,182
Title III, Part A - English Language Acquisition	84.365A	12-671001107901	62,147
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12-694501107901	165,108
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	11-557001107901	36,801
Education Jobs Fund- ARRA	84.410	11-550101107901	563,297
Summer School-LEP	84.369A	12-69551102	2,220
Total Passed Through State Department of Education			\$ 2,990,579
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 2,990,579</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
***School Breakfast Program	10.553		\$ 313,814
***National School Lunch Program-Cash Assistance	10.555		931,398
***National School Lunch Prog.-Non-Cash Assistance	10.555		97,483
Total CFDA Number 10.555			1,028,881
***Summer Feeding Program-Cash Assistance	10.559	00551 107-901	9,458
Total Child Nutrition Cluster			1,352,153
Total Passed Through the State Department of Agriculture			\$ 1,352,153
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 1,352,153</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 4,342,732</b>

\*Clustered Programs

\*\*Clustered Programs

\*\*\*Clustered Programs

ATHENS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2012

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures

Note A - Funds received from the Texas Medicaid and Healthcare Partnership program of \$162,523 in the General Fund are not considered as federal financial assistance for purposes of this schedule.

Note B - Funds received from ESC Region 7 for Head Start reimbursements of \$173,591 in the General Fund are not considered as federal financial assistance for purposes of this schedule. The program is reported as a federal program of ESC Region 7.

Note C - The District received a direct federal subsidy of \$168,236 for the federal interest rebate related to the Qualified School Construction Bonds. The subsidy is reported in the Debt Service Fund and is not considered as federal financial assistance for purposes of this schedule.

ATHENS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

Basis of Presentation:

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

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

Marlin R. Smith, CPA  
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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, when applicable, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 7, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimates affecting the financial statements were:

Managements estimate of the uncollectible accounts and accumulated depreciation. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Audit Differences and Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.



### Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statement themselves.

### General Audit Comments, Findings or Issues

In connection with the annual audit of the records of the Athens Independent School District as of June 30, 2012, we offer the following additional comments:

1. Accounting Records:

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

2. Budget Variances:

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

3. Cash and Investments:

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

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

4. Fund Balance:

The fund balance in the general fund at June 30 was \$7,940,619, which was an increase of \$1,281,819 from the prior year. The fund balance of the debt service fund was \$1,752,506. The fund balance in the capital projects fund was \$4,001,153, which includes \$2,802,048 of remaining bond proceeds.

5. Bonded Debt

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

6. Food Service Program:

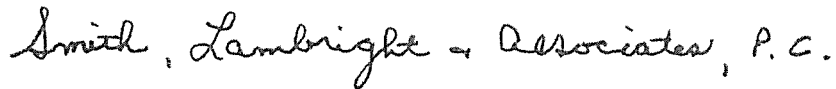
The program reported a decrease to fund balance during this fiscal year of \$157,865.

7. Compliance:

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

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

Respectfully submitted,



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

October 11, 2012