

ANNA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2014

RUTHERFORD, TAYLOR & COMPANY, P.C.
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ANNA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2014

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CERTIFICATE OF BOARD

Anna Independent School District
Name of School District

Collin
County

043-902
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and
6 approved/ 0 disapproved for the year ended August 31, 2014, at a meeting of the board of school
trustees of such school district on 1-22-15.

Jilli Conway
Signature of Board Secretary

T. C. Co
Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attach list if necessary):

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anna Independent School District (District), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Anna Independent School District as of August 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedules identified in the table of contents as other supplementary information are presented for the purpose of additional analysis, and are not a required part of the basic financial statements. The 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 basic financial statements.

The other supplementary information schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

December 31, 2014
Greenville, Texas

Rutherford, Taylor & Company, PC

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

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anna Independent School District (District), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 31, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Report on Internal Control – Continued

Purpose of this Report

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

December 31, 2014
Greenville, Texas

Rutherford, Taylor & Company, PC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Anna Independent School District's (District) 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 August 31, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and

Internal Control over Compliance – Continued

report on internal control over compliance in accordance with OMC circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

December 31, 2014
Greenville, Texas



ANNA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED AUGUST 31, 2014

Summary of Auditor's Results (Section I)

Financial Statements –

Type of auditor's report issued	Unmodified Opinion
Internal Control over Financial Reporting: Material Weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to the financial statements noted	None

Federal Awards –

Internal control over major programs: Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of Auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133	No
Identification of major programs	Food Service Cluster: School Breakfast Program (10.553) National School Lunch Program (10.555)
Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
Entity qualified as a low risk auditee	Yes
Pass-through Entity	Texas Department of Agriculture

ANNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014

Financial Statement Findings (Section II)

NONE

ANNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014

Federal Award Findings and Questioned Costs (Section III)

NONE

ANNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014

Prior Year Findings (Section IV)

NONE

ANNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014

Corrective Action Plans (Section V)

NONE

ANNA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

This section of Anna Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2014. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

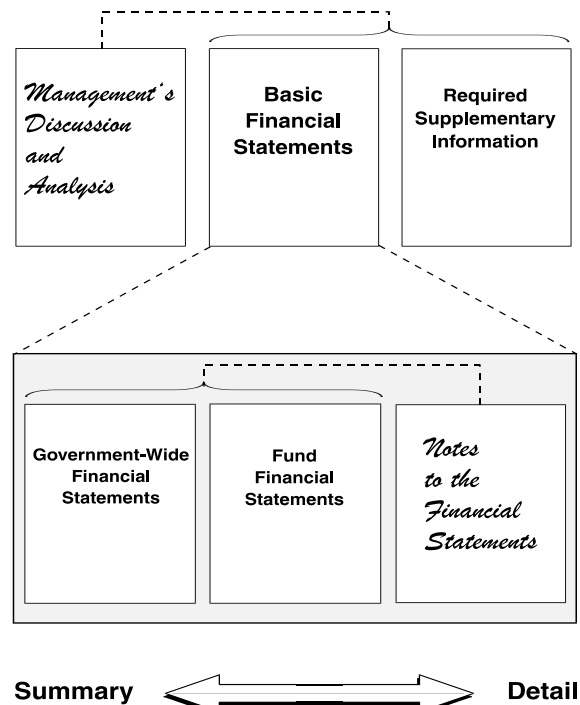
- The District's total combined net position was \$ 2,548,646 at August 31, 2014.
- During the year, the District's expenses were \$ 2,141,033 more than the \$ 26,671,293 generated in local property taxes and other revenues for governmental activities.
- The total cost of the District's programs was increased from last year, and no new programs were added this year.
- The General Fund reported a fund balance this year of \$ 6,035,344.
- The District issued refunding bonded debt during the year totaling \$ 7,440,000 and executed additional funding agreements totaling \$ 282,018 for school buses.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as a print shop.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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



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

ANNA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

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

<i>Type of Statement</i>	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

GOVERNMENT-WIDE STATEMENTS

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

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

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

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

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explain the relationship (or differences) between them.

ANNA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

- Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities.
- Fiduciary funds—The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$ 2,548,646 at August 31, 2014.

Anna Independent School District's Net Position			Table A-1
	Governmental Activities		Total Percentage Change
	2014	2013	2013-2014
Assets:			
Cash and Investments	\$ 8,734,466	\$ 9,910,278	-11.86%
Other Assets	781,436	801,793	-2.54%
Capital Assets less Accumulated Depreciation	92,717,931	95,173,589	-2.58%
Total Assets	\$ 102,233,833	\$ 105,885,660	-3.45%
Deferred Net Outflows of Resources:			
Deferred Net Outflows of Resources	\$ 1,553,973	\$ 989,677	57.02%
Total Deferred Outflows of Resources	\$ 1,553,973	\$ 989,677	57.02%
Liabilities:			
Current Liabilities	\$ 1,662,215	\$ 804,396	106.64%
Long-term Liabilities	99,576,945	99,158,680	0.42%
Total Liabilities	\$ 101,239,160	\$ 99,963,076	1.28%
Net Position:			
Net Investment in Capital Assets	\$ 708,829	\$ 3,004,212	-76.41%
Restricted	808,667	514,950	57.04%
Unrestricted	1,031,150	1,170,486	-11.90%
Total Net Position	\$ 2,548,646	\$ 4,689,648	-45.65%

Approximately \$ 443,701 of the District's restricted net position represents funds for debt retirement. These funds are restricted for tax supported debt retirement. The unrestricted net position represents resources available to fund the programs of the District next year.

CHANGES IN NET POSITION

The District's total revenues were \$ 26,671,293. 33% of the District's revenue comes from local property taxes (See Table A-2). 65% comes from state aid and federal grants, while only 2% relates to charges for services and other miscellaneous revenues, including investment earnings.

The total cost of all programs and services was \$ 28,812,296. 48% of these costs are for instruction and instructional related staff and student services.

The District's tax collection percentage rate (current and delinquent base tax only) was 99.88%. The total tax collection percentage rate (base tax and penalty and interest) was 100.64%.

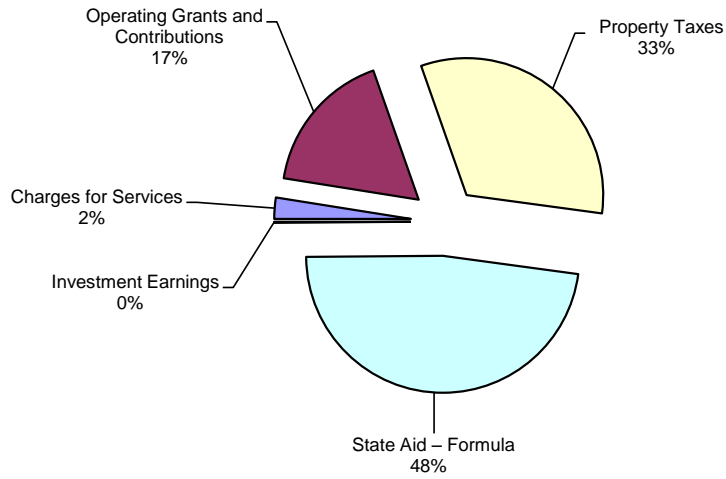
ANNA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

GOVERNMENTAL ACTIVITIES

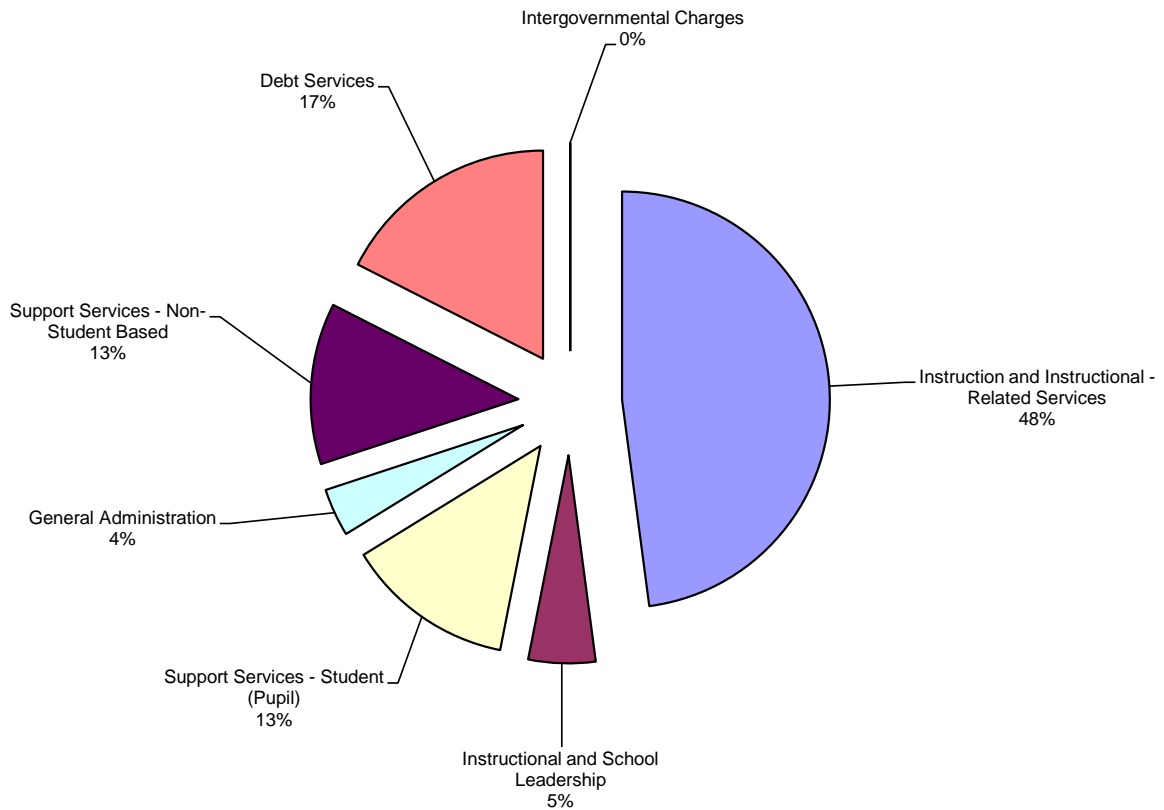
Changes in Anna Independent School District's Net Position			Table A-2
	Governmental Activities		Total Percentage Change
	2014	2013	2013-2014
Program Revenues:			
Charges for Services	\$ 667,330	\$ 668,773	-0.22%
Operating Grants and Contributions	4,552,051	3,900,328	16.71%
General Revenues:			
Property Taxes	8,657,518	7,972,901	8.59%
State Aid – Formula	12,705,633	11,908,792	6.69%
Investment Earnings	33,460	23,582	41.89%
Miscellaneous	55,301	72,742	-23.98%
Total Revenues	<u>\$ 26,671,293</u>	<u>\$ 24,547,118</u>	8.65%
Instruction	\$ 13,359,306	\$ 11,833,390	12.90%
Instructional Resources and Media Services	322,020	293,080	9.87%
Curriculum and Staff Development	3,380	8,079	-58.16%
Instructional Leadership	130,740	124,573	4.95%
School Leadership	1,358,816	1,249,868	8.72%
Guidance, Counseling and Evaluation Services	413,398	518,025	-20.20%
Health Services	267,783	240,200	11.48%
Student (Pupil) Transportation	1,184,131	928,151	27.58%
Food Services	1,221,287	1,123,591	8.69%
Cocurricular/Extracurricular Activities	659,688	665,582	-0.89%
General Administration	1,062,437	1,135,777	-6.46%
Plant Maintenance and Operations	3,118,746	3,076,065	1.39%
Security and Monitoring Services	47,644	47,841	-0.41%
Data Processing	413,018	500,797	-17.53%
Debt Service	5,004,447	5,189,236	-3.56%
Capital Outlay	241,955	-	100.00%
Payments to Juvenile Justice Alternative Ed. Programs	3,500	-	100.00%
Other Intergovernmental Charges	-	5,021	-100.00%
Total Expenses	<u>\$ 28,812,296</u>	<u>\$ 26,939,276</u>	6.95%
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ (2,141,003)</u>	<u>\$ (2,392,158)</u>	10.50%
Increase (Decrease) in Net Position	\$ (2,141,003)	\$ (2,392,158)	10.50%
Net Position - Beginning (September 1)	4,689,649	7,081,806	-33.78%
Net Position - Ending (August 31)	<u>\$ 2,548,646</u>	<u>\$ 4,689,648</u>	-45.65%

ANNA INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED AUGUST 31, 2014

Sources of Revenue for Fiscal Year 2014 - See Table A-2



Functional Expenses for Fiscal Year 2014 - See Table A-2



ANNA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

- Table A-3 presents the cost of selected functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 28,812,296.
- However, the amount that our taxpayers paid for these activities through local property taxes was only \$ 8,657,518.
- Some of the cost was paid by those who directly benefited from the programs, \$ 667,330, or
- By grants and contributions, \$ 4,552,051.

Anna Independent School District's Net Cost of Selected District Functions							Table A-3
	Total Cost of Services			%	Net Cost of Services		
	2014	2013	Change		2014	2013	Change
Instruction	\$ 13,359,306	\$ 11,833,390	12.90%	\$ 11,510,096	\$ 10,557,704	9.02%	
School Leadership	1,358,816	1,249,868	8.72%	1,302,119	1,204,805	8.08%	
General Administration	1,062,437	1,135,777	-6.46%	1,017,380	1,095,336	-7.12%	
Plant Maintenance and Operations	3,118,746	3,076,065	1.39%	2,990,063	2,965,902	0.81%	
Debt Service	5,101,034	5,189,236	-1.70%	3,419,093	3,576,392	-4.40%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$ 26,651,771. This is an increase of \$ 2,028,351 from the prior year. The increase reflects the increased tax collections and additional state funding.

Current year expenditures reported in the governmental fund types totaled \$ 26,896,941. This total is more than the prior year total expenditures of \$ 25,427,421. This increase is related to general operating costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 597,156 below final General Fund budget amounts. The most significant positive variance resulted from plant maintenance and operations.

Resources available were \$ 182,402 above the final General Fund budgeted amount. The favorable variance was due to increased state aid from enrollment and attendance exceeding expectations.

ANNA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At year end, the District had invested \$ 112,580,280 in a broad range of capital assets, including land, equipment, buildings and vehicles (See Table A-4).

Anna Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total
	2014	2013	Percentage Change 2013-2014
Land	\$ 2,892,151	\$ 2,892,151	0.00%
Construction in Progress	151,809	473,172	-67.92%
Buildings and Improvements	107,499,037	106,919,735	0.54%
Vehicles	1,434,565	1,242,889	15.42%
Equipment	602,718	571,586	5.45%
Totals at Historical Cost	\$ 112,580,280	\$ 112,099,533	0.43%
Less Accumulated Depreciation	(19,862,349)	(16,925,944)	17.35%
Net Capital Assets	<u>\$ 92,717,931</u>	<u>\$ 95,173,589</u>	-2.58%

DEBT

At year end, the District had \$ 92,795,992 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Bond Ratings -
The District's bonds presently carry "AAA" ratings.

Anna Independent School District's Debt			Table A-5
	Governmental Activities		Total
	2014	2013	Percentage Change 2013-2014
Bonds Payable	\$ 90,335,024	\$ 91,970,024	-1.78%
Capital Leases Payable	6,780,755	276,944	2348.42%
Other Debt Payable	2,069,631	6,911,712	-70.06%
Total Debt Payable	<u>\$ 99,185,410</u>	<u>\$ 99,158,680</u>	0.03%

ANNA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

ECONOMIC FACTORS

The District's property valuation has rebounded significantly due to housing and commercial development in the District. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operations. The state funding formula was changed to provide state funds to replace the lost local property tax revenue. This change in funding and other legislative changes could impact the District's financial operations, including cash flows.

Student population has continued to increase in agreement with housing starts and occupancy rates. The economic outlook for the area is for growth to continue to escalate as the metroplex expands north along US75. Housing is expanding similar to the rate of other north central Texas communities. These economic conditions require the District to monitor funding and staffing levels to ensure educational goals and strategies are achieved.

The State has increased funding levels for the 2013-2015 biennium, which will affect the revenue levels of the District. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

A challenge to the State's funding system resulted in the system being held unconstitutional and inequitable. The 2013 legislative session produced additional funding for the student population. However, the legal process continues with challenges by the various interested parties. It is anticipated that a final resolution will be considered during the 2015-2017 biennium.

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 demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Pete Slaughter, Superintendent for the District.

BASIC FINANCIAL STATEMENTS

ANNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014

1

Data Control Codes		Governmental Activities
	ASSETS	
1110	Cash and Investments	\$ 8,734,466
1225	Property Taxes Receivable, Net	221,148
1240	Due from Other Governments	560,288
	Capital Assets:	
1510	Land	2,892,151
1520	Buildings and Improvements, Net	88,618,658
1530	Furniture and Equipment, Net	1,055,313
1580	Construction in Progress	151,809
1000	Total Assets	<u>\$ 102,233,833</u>
	DEFERRED OUTFLOWS OF RESOURCES	
1700	Total Deferred Outflows of Resources	<u>\$ 1,553,973</u>
	LIABILITIES	
2110	Accounts Payable	\$ 74,237
2140	Interest Payable	146,874
2165	Accrued Liabilities	568,317
2300	Unearned Revenue	872,787
	Noncurrent Liabilities:	
2501	Due within one year	1,788,034
2502	Due in more than one year	97,788,911
2000	Total Liabilities	<u>\$ 101,239,160</u>
	NET POSITION	
3200	Net Investment in Capital Assets	\$ 708,829
	Restricted For:	
3820	Federal and State Programs	339,958
3850	Debt Retirement	443,701
3890	Other Purposes	25,008
3900	Unrestricted	1,031,150
3000	Total Net Position	<u><u>\$ 2,548,646</u></u>

The accompanying notes are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2014

Data Control Codes	1	3	4	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
11 Instruction	\$ 13,359,306	\$ 107,110	\$ 1,742,100	\$ (11,510,096)
12 Instructional Resources and Media Services	322,020	-	13,651	(308,369)
13 Curriculum and Staff Development	3,380	-	155	(3,225)
21 Instructional Leadership	130,740	-	4,853	(125,887)
23 School Leadership	1,358,816	-	56,697	(1,302,119)
31 Guidance, Counseling and Evaluation Services	413,398	-	16,693	(396,705)
33 Health Services	267,783	-	11,156	(256,627)
34 Student (Pupil) Transportation	1,184,131	-	43,014	(1,141,117)
35 Food Services	1,221,287	420,119	739,100	(62,068)
36 Cocurricular/Extracurricular Activities	659,688	138,664	21,554	(499,470)
41 General Administration	1,062,437	1,437	43,620	(1,017,380)
51 Plant Maintenance and Operations	3,118,746	-	128,683	(2,990,063)
52 Security and Monitoring Services	47,644	-	2,192	(45,452)
53 Data Processing Services	413,018	-	46,481	(366,537)
72 Interest on Long-term Debt	4,859,079	-	1,681,941	(3,177,138)
73 Debt Issuance Costs and Fees	145,368	-	-	(145,368)
81 Capital Outlay	241,955	-	-	(241,955)
95 Payments to Juvenile Justice Alternative Ed. Programs	3,500	-	161	(3,339)
TG Total Governmental Activities	<u>\$ 28,812,296</u>	<u>\$ 667,330</u>	<u>\$ 4,552,051</u>	<u>\$ (23,592,915)</u>
TP Total Primary Government	<u>\$ 28,812,296</u>	<u>\$ 667,330</u>	<u>\$ 4,552,051</u>	<u>\$ (23,592,915)</u>
MT		Property Taxes, Levied for General Purposes		\$ 5,844,824
DT		Property Taxes, Levied for Debt Service		2,812,694
IE		Investment Earnings		33,460
GC		Grant and Contributions Not Restricted to Specific Programs		12,705,633
MI		Miscellaneous		55,301
TR		Total General Revenues and Transfers		<u>\$ 21,451,912</u>
CN		Change in Net Position		\$ (2,141,003)
NB		Net Position - Beginning (September 1)		<u>4,689,649</u>
NE		Net Position - Ending (August 31)		<u>\$ 2,548,646</u>

The accompanying notes are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS				
1110 Cash and Investments	\$ 6,854,766	\$ 700,388	\$ 1,132,098	\$ 8,687,252
1225 Property Taxes Receivable, Net	154,584	66,564	-	221,148
1240 Due from Other Governments	412,545	-	147,743	560,288
1000 Total Assets	<u>\$ 7,421,895</u>	<u>\$ 766,952</u>	<u>\$ 1,279,841</u>	<u>\$ 9,468,688</u>
LIABILITIES				
Current Liabilities:				
2110 Accounts Payable	\$ 16,144	\$ -	\$ 5,960	\$ 22,104
2160 Accrued Wages Payable	514,484	-	41,307	555,791
2170 Due to Other Funds	12,883	-	-	12,883
2200 Accrued Expenses	9,918	-	2,608	12,526
2300 Unearned Revenues	678,538	181,333	12,916	872,787
2000 Total Liabilities	<u>\$ 1,231,967</u>	<u>\$ 181,333</u>	<u>\$ 62,791</u>	<u>\$ 1,476,091</u>
DEFERRED INFLOWS OF RESOURCES				
2600 Total Deferred Inflows of Resources	<u>\$ 154,584</u>	<u>\$ 66,564</u>	<u>\$ -</u>	<u>\$ 221,148</u>
FUND BALANCES				
Restricted Fund Balances:				
3450 Federal/State Funds Grants	\$ -	\$ -	\$ 339,959	\$ 339,959
3480 Retirement of Long-Term Debt	-	519,055	-	519,055
3490 Other Restrictions of Fund Balance	-	-	812,095	812,095
Committed Fund Balances:				
3510 Construction	1,500,000	-	-	1,500,000
3530 Capital Expenditures for Equipment	188,020	-	-	188,020
3545 Other Committed Fund Balance	-	-	64,996	64,996
3600 Unassigned	4,347,324	-	-	4,347,324
3000 Total Fund Balances	<u>\$ 6,035,344</u>	<u>\$ 519,055</u>	<u>\$ 1,217,050</u>	<u>\$ 7,771,449</u>
4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,421,895</u>	<u>\$ 766,952</u>	<u>\$ 1,279,841</u>	<u>\$ 9,468,688</u>

The accompanying notes are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2014

Total fund balances - Balance Sheet (governmental funds)	\$	7,771,449
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not reported in the funds.		92,717,931
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		221,148
The assets and liabilities of internal service funds are included in governmental activities in the SNP.		7,964
Payables for bond principal which are not due in the current period are not reported in the funds.		(90,335,024)
Payables for capital leases which are not due in the current period are not reported in the funds.		(391,534)
Payables for bond interest which are not due in the current period are not reported in the funds.		(146,874)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(7,296,414)
		<hr style="border-top: 1px solid black;"/>
Net position of governmental activities - Statement of Net Position	\$	<u><u>2,548,646</u></u>

The accompanying notes are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
REVENUES					
5700	Local and Intermediate Sources	\$ 6,087,635	\$ 2,810,220	\$ 496,232	\$ 9,394,087
5800	State Program Revenues	13,555,014	1,681,941	378,312	15,615,267
5900	Federal Program Revenues	128,173	-	1,514,244	1,642,417
5020	Total Revenues	\$ 19,770,822	\$ 4,492,161	\$ 2,388,788	\$ 26,651,771
EXPENDITURES					
Current:					
0011	Instruction	\$ 10,592,367	\$ -	\$ 1,152,165	\$ 11,744,532
0012	Instructional Resources and Media Services	296,783	-	-	296,783
0013	Curriculum and Staff Development	3,380	-	-	3,380
0021	Instructional Leadership	105,503	-	-	105,503
0023	School Leadership	1,232,621	-	-	1,232,621
0031	Guidance, Counseling and Evaluation Services	362,919	-	-	362,919
0033	Health Services	242,546	-	-	242,546
0034	Student (Pupil) Transportation	1,126,811	-	-	1,126,811
0035	Food Services	-	-	1,048,221	1,048,221
0036	Cocurricular/Extracurricular Activities	468,590	-	45,685	514,275
0041	General Administration	920,247	-	3,254	923,501
0051	Plant Maintenance and Operations	2,828,735	-	-	2,828,735
0052	Security and Monitoring Services	47,644	-	-	47,644
0053	Data Processing Services	344,429	-	-	344,429
0071	Principal on Long-term Debt	167,428	1,635,000	-	1,802,428
0072	Interest on Long-term Debt	6,702	3,617,149	-	3,623,851
0073	Debt Issuance Cost and Fees	-	145,368	-	145,368
0081	Capital Outlay	-	-	499,894	499,894
0095	Payments to Juvenile Justice Alternative Ed. Programs	3,500	-	-	3,500
6030	Total Expenditures	\$ 18,750,205	\$ 5,397,517	\$ 2,749,219	\$ 26,896,941
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 1,020,617	\$ (905,356)	\$ (360,431)	\$ (245,170)
OTHER FINANCING SOURCES (USES)					
7911	Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ 7,440,000	\$ -	\$ 7,440,000
7913	Issuance of Capital Leases	282,018	-	-	282,018
7915	Transfers In	-	939,000	-	939,000
7916	Premium or Discount on Issuance of Bonds	-	747,960	-	747,960
8911	Transfers Out	(500,000)	-	(439,000)	(939,000)
8949	Other Uses	-	(8,050,217)	-	(8,050,217)
7080	Net Other Financing Sources (Uses)	\$ (217,982)	\$ 1,076,743	\$ (439,000)	\$ 419,761
1200	Net Changes in Fund Balances	\$ 802,635	\$ 171,387	\$ (799,431)	\$ 174,591
0100	Fund Balances - Beginning (September 1)	5,232,709	347,668	2,016,481	7,596,858
3000	Fund Balances - Ending (August 31)	\$ 6,035,344	\$ 519,055	\$ 1,217,050	\$ 7,771,449

The accompanying notes are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED AUGUST 31, 2014

Net change in fund balances - total governmental funds	\$	174,591
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Capital outlays that are not reported as expenses in the SOA.		480,747
The depreciation of capital assets not used in governmental activities is not reported in the funds.		(2,936,405)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		19,522
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		8,090,019
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		1,635,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		167,428
The accretion of interest on capital appreciation bonds is not reported in the funds.		(1,276,438)
(Increase) decrease in accrued interest expense from beginning of period to end of period.		1,408
The net revenue (expense) of internal service funds is reported with governmental activities.		(26,897)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.		(7,440,000)
Bond premiums are reported in the funds, but not in the SOA.		(747,960)
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.		<u>(282,018)</u>
Change in net position of governmental activities - Statement of Activities	\$	<u><u>(2,141,003)</u></u>

The accompanying notes are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
AUGUST 31, 2014

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
 ASSETS	
Current Assets:	
1110 Cash and Investments	\$ 47,214
Receivables:	
1260 Due from Other Funds	<u>12,883</u>
Total Current Assets	<u>\$ 60,097</u>
 LIABILITIES	
Current Liabilities:	
2110 Accounts Payable	<u>\$ 52,133</u>
Total Current Liabilities	<u>\$ 52,133</u>
2000 Total Liabilities	<u>\$ 52,133</u>
 NET POSITION	
3900 Unrestricted Net Position	<u>\$ 7,964</u>
3000 Total Net Position	<u><u>\$ 7,964</u></u>

The accompanying notes are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - PROPRIETARY FUNDS
 YEAR ENDED AUGUST 31, 2014

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
OPERATING REVENUES	
5700 Local and Intermediate Sources	\$ <u>56,495</u>
5020 Total Operating Revenues	\$ <u>56,495</u>
OPERATING EXPENSES	
6400 Other Operating Costs	\$ <u>83,392</u>
6030 Total Operating Expenses	\$ <u>83,392</u>
1300 Change in Net Position	\$ (26,897)
0100 Total Net Position - Beginning (September 1)	<u>34,861</u>
3000 Total Net Position - Ending (August 31)	\$ <u><u>7,964</u></u>

The accompanying notes are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2014

	Internal Service Fund
Cash Flows from Operating Activities	
Cash Receipts from Quasi-External Operating Transfers	\$ 55,401
Cash Payments for Claims	(50,125)
Cash Payments for Reinsurance and Administration	(47,484)
	(42,208)
Net Cash Provided by (Used for) Operating Activities	\$ (42,208)
Cash Flows from Capital and Other Related Financing Activities	
NONE	
Cash Flows for Noncapital Financing Activities	
NONE	
Cash Flows from Investing Activities	
NONE	
Net Increase (Decrease) in Cash and Investments	\$ (42,208)
Cash and Investments - Beginning (September 1)	89,422
Cash and Investments - Ending (August 31)	\$ 47,214
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (37,199)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase (Decrease) in Claims Liability	(5,009)
Net Cash Provided by (Used for) Operating Activities	\$ (42,208)

The accompanying notes are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
 YEAR ENDED AUGUST 31, 2014

		Agency Fund
Data Control Codes		Student Activity
	ASSETS	
1110	Cash and Investments	\$ 120,510
1000	Total Assets	\$ 120,510
	LIABILITIES	
	Current Liabilities:	
2190	Due to Student Groups	\$ 120,510
2000	Total Liabilities	\$ 120,510
	NET POSITION	
3000	Total Net Position	\$ -

The accompanying notes are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies

The basic financial statements of the Anna Independent School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's *Financial Accountability System Resource Guide (Guide)*. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees (Board), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and as a body corporate has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity."

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

Government-wide Statements – The statement of net position (SNP) and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities (SOA) presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies (Continued)

The District reports the following major governmental funds:

General Fund – This is the District’s primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

In addition, the District reports the following fund types:

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. The Board can commit specific types of resources to specific purposes which are included as special revenue funds.

Capital Projects Fund – This fund is used to account for proceeds of long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

Internal Service Funds – These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District’s governmental activities, this fund type is included in the “Governmental Activities” column of the government-wide financial statements.

Agency Funds – These funds are reported in the fiduciary fund financial statements. These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individual, private organizations, or other governments.

b. Measurement Focus – Basis of Accounting

Government-wide, Proprietary and Fiduciary Fund Financial Statements – These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies (Continued)

The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen not to apply future FASB Standards.

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the function level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies (Continued)

End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$	-0-
Special Revenue Fund		-0-
Debt Service Fund		-0-
Capital Projects Fund		<u>-0-</u>
Total	\$	<u>-0-</u>

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

For the purpose of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Fund Equity

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance – represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies (Continued)

The following schedule provides information about the specific fund balance classification by fund:

	General	Debt Service	Other Governmental	Total
Restricted				
Child Nutrition Program	\$ -	\$ -	\$ 339,959	\$ 339,959
Retirement of Long Term Debt	-	519,055	-	519,055
Scholarship Fund	-	-	25,008	25,008
Construction	-	-	787,087	787,087
Committed				
Construction	1,500,000	-	-	1,500,000
Capital Equipment	188,020	-	-	188,020
Campus Activity Funds	-	-	64,996	64,996
Unassigned	4,347,324	-	-	4,347,324
Totals	<u>\$ 6,035,344</u>	<u>\$ 519,055</u>	<u>\$ 1,217,050</u>	<u>\$ 7,771,449</u>

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment and food products. Under this method supplies and materials are debited as expenditures when purchased.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$ 5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

Accretion

Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

6. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies (Continued)

7 Interfund Activities

Interfund activity results from loans, service provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfer" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

8. Vacation, Sick Leave and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave does not vest, but accumulates and is recorded as an expenditure as it is paid.

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from these estimates.

10. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

11. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

B. Deposits, Securities and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. During the year and at August 31, 2014, all District cash deposits appear to have not been properly covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District during the year. At year end, all funds were properly covered

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to have been in substantial compliance with the requirements of the Act.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

B. Deposits, Securities and Investments (Continued)

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or secured certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

District investments include investments in TexPool, an external investment pool. All TexPool investments are reported at share price (fair value) and are presented as cash and investments.

Texas Local Government Investment Pool (TexPool) has been 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. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

The Comptroller of Public Accounts (Comptroller) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, (Trust Company), which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. (Federated), under an agreement with the Comptroller, acting on behalf of the Trust Company.

The Comptroller maintains oversight of the services provided to TexPool by Federated. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

The fund is rated AAAM by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's. This rating as well as the operational policies and procedures allow the fund to comply with the requirements of the Public Funds Investment Act.

Texas Short Term Asset Reserve Program (TexSTAR) has been 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. These two acts provide for the creation of public funds investment pools (including TexSTAR) and authorize eligible governmental entities (Participants) to invest their public funds and funds under their control through the investment pools.

J. P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Asset Management, Inc. (FSAM) serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors (Board). JPMIM provides investment services, and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JPMorgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co.

The Board may establish separate Funds within TexSTAR from time to time. Participants choose the Funds in which their deposits are invested. Participants' assets in the Funds are represented by units of beneficial interest (units). The Board may issue an unlimited number of units in each Fund.

TexSTAR is rated AAAM by Standard & Poor's rating agency. This rating and the fund's operational settings allow the fund to comply with the requirement of the Public Funds Investment Act.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

B. Deposits, Securities and Investments (Continued)

The following lists the District's investments at year end:

	<u>Credit Rating</u>	<u>Fair Value</u>
Independent Bank - NOW	n/a	\$ 2,498,967
TexSTAR	AAAm	331,673
CDARS Account – Certificates of Deposit	n/a	<u>3,064,804</u>
Total		<u>\$ 5,895,444</u>

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

- a. Name of bank: Independent Bank, McKinney, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 10,790,734.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 10,570,548, and occurred during the month of December 2013.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 500,000.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

C. Property Taxes

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 1.04000 to fund general operations and \$ 0.500 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 557,470,288.

D. Capital Assets

Capital asset activities during the year ended were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets not being Depreciated:				
Land	\$ 2,892,151	\$ -	\$ -	\$ 2,892,151
Constuction in Progress	473,172	151,809	473,172	151,809
Total Capital Assets not being Depreciated	\$ 3,365,323	\$ 151,809	\$ 473,172	\$ 3,043,960
Capital Assets being Depreciated:				
Buildings and Improvements	\$ 106,919,735	\$ 579,302	\$ -	\$ 107,499,037
Equipment	571,586	31,132	-	602,718
Vehicles	1,242,889	191,676	-	1,434,565
Total Capital Assets being Depreciated	\$ 108,734,210	\$ 802,110	\$ -	\$ 109,536,320
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 16,137,015	\$ 2,743,364	\$ -	\$ 18,880,379
Equipment	387,104	50,963	-	438,067
Vehicles	401,825	142,078	-	543,903
Total Accumulated Depreciation	\$ 16,925,944	\$ 2,936,405	\$ -	\$ 19,862,349
Total Capital Assets being Depreciated, Net	\$ 91,808,266	\$ (2,134,295)	\$ -	\$ 89,673,971
Governmental Activities Capital Assets, Net	\$ 95,173,589	\$ (1,982,486)	\$ 473,172	\$ 92,717,931

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

D. Capital Assets (Continued)

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 1,587,877
Instructional Resources and Media Services	25,237
Instructional Leadership	25,237
School Leadership	126,195
Guidance, Counseling and Evaluation Services	50,479
Health Services	25,237
Student (Pupil) Transportation	248,996
Food Services	173,066
Cocurricular/Extracurricular Activities	145,413
General Administration	138,936
Plant Maintenance and Operations	321,143
Data Processing Services	<u>68,589</u>
 Total	 <u><u>\$ 2,936,405</u></u>

E. Long Term Obligations

Long-Term Obligation Activity

Long-term obligation activities during the year ended were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 91,970,024	\$ 7,440,000	\$ 9,075,000	\$ 90,335,024	\$ 1,585,000
Capital Leases Payable	276,944	282,018	167,427	391,535	203,034
Accreted Interes	5,266,066	1,514,689	-	6,780,755	-
Unamortized Premium (Discount)	1,645,646	509,708	85,723	2,069,631	-
Total Governmental Activities	<u>\$ 99,158,680</u>	<u>\$ 9,746,415</u>	<u>\$ 9,328,150</u>	<u>\$ 99,576,945</u>	<u>\$ 1,788,034</u>

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

The District issued "Anna Independent School District Unlimited Tax Refunding Bonds, Series 2014," totaling \$ 7,440,000 to be used to refund maturities of the following outstanding Series:

Unlimited Tax School Building Bonds, Series 2004

Unlimited Tax School Building Bonds, Series 2005

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

E. Long Term Obligations (Continued)

The bonds are dated December 1, 2013 and were issued January 7, 2014. The proceeds including premium less issuance costs were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the refunded debt. The refunding meets the requirements of an in-substance defeasance and the debt has been removed from the District's long term debt. The maturities of refunded debt will be called on various dates with all maturities refunded on the final call date of August 15, 2023.

As a result of the refunding, the District decreased its debt service requirements by \$ 1,458,304. The refunding was authorized to reduce debt requirements on previously issued debt. The refunding resulted in an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$ 415,807.

The following bonded debt issues are outstanding at year end:

Description	Interest Rate	Original Balances	Outstanding Balances
Unlimited Tax School Building Bonds, Series 1998	5.00%	\$ 7,677,991	\$ 137,991
Unlimited Tax School Building Bonds, Series 2004	5.45%	10,000,000	255,000
Unlimited Tax School Building Bonds, Series 2005	6.00%	9,850,000	235,000
Unlimited Tax School Building Bonds, Series 2006	5.25%	8,000,000	6,955,000
Unlimited Tax School Building Bonds, Series 2007	6.00%	15,000,000	13,640,000
Unlimited Tax School Building Bonds, Series 2008	5.50%	9,995,000	9,445,000
Unlimited Tax Refunding Bonds, Series 2009	6.00%	5,355,000	3,985,000
Unlimited Tax School Building Bonds, Series 2009	4.75%	6,250,000	6,250,000
Unlimited Tax School Building Bonds, Series 2010	5.00%	5,800,000	5,800,000
Unlimited Tax School Building Bonds, Series 2010A	4.67%	16,896,583	16,896,583
Unlimited Tax School Building Bonds, Series 2011	5.42%	7,495,450	7,495,450
Unlimited Tax School Building Bonds, Series 2012	4.15%	3,500,000	3,500,000
Unlimited Tax Refunding Bonds, Series 2013	2.85%	8,450,000	8,450,000
Unlimited Tax Refunding Bonds, Series 2014	2.66%	7,440,000	7,290,000
Totals			<u>\$ 90,335,024</u>

Maturity requirements on bonded debt at year end are as follows:

Year Ended August 31	Principal	Interest	Total Requirements
2015	\$ 1,585,000	\$ 3,639,376	\$ 5,224,376
2016	1,405,000	3,817,258	5,222,258
2017	1,710,000	3,512,058	5,222,058
2018	1,890,000	3,441,358	5,331,358
2019	1,965,000	3,364,753	5,329,753
2020-2024	11,718,901	16,708,035	28,426,936
2025-2029	13,678,644	15,937,180	29,615,824
2030-2034	16,661,478	14,098,652	30,760,130
2035-2039	12,660,204	17,079,978	29,740,182
2040-2044	8,627,309	20,139,478	28,766,787
2045-2049	13,740,544	14,783,456	28,524,000
2047-2051	4,692,944	6,719,056	11,412,000
TOTALS	<u>\$ 90,335,024</u>	<u>\$ 123,240,638</u>	<u>\$ 213,575,662</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District appears to be in compliance with all significant limitations and restrictions as of year end.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

E. Long Term Obligations (Continued)

Capital Leases

The District is obligated under certain leases accounted for as capital leases. The leases recorded here meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following schedule lists personal property leased:

Description	Implicit Interest Rate	Date of Agreement	Original Property Value
Texas Star Bank - School Bus	3.25%	4/26/12	\$ 89,000
Texas Star Bank - Three School Buses	3.25%	10/11/11	280,100
Government Capital Corporation - School Bus	3.25%	12/17/12	91,111
Government Capital Corporation - School Bus	3.125%	10/11/13	93,998
Government Capital Corporation - School Bus	3.125%	7/1/14	188,020
Totals			<u>\$ 742,229</u>

The lease terms are for various terms not exceeding three years. The terms call for semi-annual payments over the life of the leases. All agreements are authorized under Texas Education Code Section 34.005.

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of year end, as follows:

Year Ending August 31	Total Requirements
2015	210,410
2016	98,587
2017	98,587
Total Minimum Lease Payments	\$ 407,584
Less Amount Representing Interest	(16,049)
Present Value of Net Minimum Lease Payments	<u>\$ 391,535</u>

F. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System includes a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778 or by downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS publication heading.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

F. Pension Plan (Continued)

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) State statute prohibits benefit improvements, if as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2014, 2013 and 2012, and a state contribution rate of 6.8% for fiscal year 2014 and 6.4% for fiscal years 2013 and 6.0% for fiscal year 2012. In certain instances, the reporting district is required to make all or a portion of the state's 6.4% contribution. The District's employees' contributions to the System for the periods ended August 31, 2014, 2013, and 2012 were \$ 830,450, \$ 773,250, and \$ 750,664 respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended August 31, 2014, 2013 and 2012 were \$ 145,241, \$ 128,536 and \$ 115,732 respectively.

3. On-Behalf Payments

In accordance with GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 745,497 are reflected in the general fund basic financial statements.

G. School District Retiree Health Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment 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 required supplementary information for TRS-Care. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778 or by downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS publication heading.

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2013 and 2012. Per Texas Insurance Code, Chapters 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

G. School District Retiree Health Plan (Continued)

3. On Behalf Payments

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 124,249 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 34,581 for subsidies for Medicare Part D and participation in the Early Retirement Reinsurance Program.

H. Risk Management

Health Care

During the year ended, employees of the Anna Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 350 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents' coverage under the Plan. All premiums were paid to Teacher Retirement System of Texas (Blue Cross/Blue Shield). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Anna Independent School District and Teacher Retirement System of Texas (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 year ended December 31, 2013 and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Unemployment Compensation Pool

During the year ended, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2013, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation

The District participates in the Texas Public Schools Worker's Compensation Project (SchoolComp). The District is partially self-funded to a loss fund maximum of \$ 44,425 for the 13-14 fiscal year. Additionally, the District incurred fixed costs of \$ 39,036 for their share of claims administration, loss control, record keeping, and cost of excess insurance.

Claims administration is provided by Creative Risk Funding, Inc. Reinsurance is provided for aggregate claim losses exceeding \$ 150,000. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

H. Risk Management (Continued)

The accrued liability for workers compensation self insurance of \$ 49,909 includes \$ 37,620 of incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuary calculation.

Changes in the workers' compensation claims liability amounts for the periods of 2014 and 2013 are represented below:

	<u>2014</u>	<u>2013</u>
Beginning Claims Liability	\$ 57,142	\$ 42,356
Claims Incurred (Reduced)	16,638	55,421
Claims Paid	<u>(23,871)</u>	<u>(40,635)</u>
Ending Claims Liability	<u>\$ 49,909</u>	<u>\$ 57,142</u>

Other 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 disasters. During fiscal year 2014, the District purchased commercial insurance to cover these liabilities. There were not 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.

I. Litigation

The District does not appear to be involved in any litigation as of year end.

J. Interfund Balances and Activities

Interfund Receivables and Payables

The composition of interfund receivables and payables at year end, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Internal Service Fund	General Fund	\$ 12,883

Transfers To and From Other Funds

Transfer to and from other funds during the year ended consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Debt Service	\$ 500,000	Debt Retirement
Capital Projects Fund	Debt Service	<u>439,000</u>	Debt Retirement
	Total	<u>\$ 939,000</u>	

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

K. Revenue from Local and Intermediate Sources

During the year ended the District received revenue from local and intermediate sources consisting of the following:

	General Fund	Debt Service Fund	Other Governmental Funds	Totals
Property Tax Collections	\$ 5,834,239	\$ 2,803,755	\$ -	\$ 8,637,994
Investment Income	25,712	6,465	1,284	33,461
Tuition and Fees	11,010	-	-	11,010
Food Service Income	-	-	419,175	419,175
Gifts and Bequests	-	-	-	-
Cocurricular/Extracurricular Activities	65,272	-	44,135	109,407
Rent Income	41,575	-	-	41,575
Services to Other Districts	96,100	-	-	96,100
Other	13,727	-	31,638	45,365
Totals	\$ 6,087,635	\$ 2,810,220	\$ 496,232	\$ 9,394,087

L. Receivables

Receivables at year end for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General Fund	Debt Service Fund	Other Governmental Funds	Totals
Due from Other Governments	\$ 412,545	\$ -	\$ 147,743	\$ 560,288
Property Taxes Receivable	162,720	70,067	-	232,787
Less: Allowance for Uncollectible				
Property Taxes	(8,136)	(3,503)	-	(11,639)
Interest Receivable	-	-	-	-
Other Receivables	-	-	-	-
Totals	\$ 567,129	\$ 66,564	\$ 147,743	\$ 781,436

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

M. Compliance, Stewardship, and Accountability

Expenditures over Appropriations

The following individual funds incurred expenditures in excess of appropriations at functional expenditure levels:

	Budget	Actual	Excess
General Fund:			
Transportation	\$ 1,033,012	\$ 1,126,811	\$ 93,799
Food Service Fund:			
Food Services	1,046,708	1,048,221	1,513

N. Subsequent Events

The District's management has evaluated subsequent events through December 31, 2014, the date which the financial statements were available for use.

O. State Aid Reconciliation

The State provides various types of funding for local school districts as provided for in state statute. The following reconciliation presents funding earned by the District in each category presented. Because of the State's delay in reconciling the funding to local districts, the summary below represents an estimate of earnings. The settle-up with the State will occur some 9 to 10 months following the fiscal year end.

Funding is earned for: 1) Available – annual allocation based on prior year enrollment; 2) Foundation – annual allocation based on student attendance, property tax collections and valuations, and special student population; 3) Instructional Facilities Allotment – based on property wealth; and 4) Existing Debt Allotment – based on eligible debt, student attendance and property wealth. Various other sources are received but not reconciled here as these are the major sources of funding.

	Available	Foundation	IFA	EDA
CY Summary of Finances (SOF)	\$ 622,613	\$ 12,109,763	\$ 643,778	\$ 1,033,038
August Instructional Days Change	17,954	330,012	-	-
Prior Period Settle-ups	(17,235)	(357,474)	5,126	(1)
Financial Statement Earnings	<u>\$ 623,332</u>	<u>\$ 12,082,301</u>	<u>\$ 648,904</u>	<u>\$ 1,033,037</u>
Financial Statement Classifications:				
SOF Receivable (Overpayment) *	\$ -	\$ (678,538)	\$ (46,786)	\$ (134,547)
August Instructional Days Receivable	17,954	394,591	-	-

* Overpayments are reported as Unearned Revenue in the government-wide and governmental fund type.

REQUIRED SUPPLEMENTARY INFORMATION

ANNA INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
5700	\$ 6,462,025	\$ 6,462,025	\$ 6,087,635	\$ (374,390)
5800	12,975,795	12,976,395	13,555,014	578,619
5900	150,600	150,000	128,173	(21,827)
5020 Total Revenues	\$ 19,588,420	\$ 19,588,420	\$ 19,770,822	\$ 182,402
EXPENDITURES				
Instruction and Instructional Related Services:				
0011	\$ 10,574,162	\$ 10,662,384	\$ 10,592,367	\$ 70,017
0012	275,030	298,030	296,783	1,247
0013	20,794	20,794	3,380	17,414
	<u>\$ 10,869,986</u>	<u>\$ 10,981,208</u>	<u>\$ 10,892,530</u>	<u>\$ 88,678</u>
Instructional and School Leadership:				
0021	\$ 105,146	\$ 105,646	\$ 105,503	\$ 143
0023	1,361,583	1,301,583	1,232,621	68,962
	<u>\$ 1,466,729</u>	<u>\$ 1,407,229</u>	<u>\$ 1,338,124</u>	<u>\$ 69,105</u>
Support Services - Student (Pupil):				
0031	\$ 356,789	\$ 368,052	\$ 362,919	\$ 5,133
0033	257,319	257,319	242,546	14,773
0034	943,012	1,033,012	1,126,811	(93,799)
0036	495,444	500,459	468,590	31,869
	<u>\$ 2,052,564</u>	<u>\$ 2,158,842</u>	<u>\$ 2,200,866</u>	<u>\$ (42,024)</u>
Administrative Support Services:				
0041	\$ 994,651	\$ 954,126	\$ 920,247	\$ 33,879
	<u>\$ 994,651</u>	<u>\$ 954,126</u>	<u>\$ 920,247</u>	<u>\$ 33,879</u>
Support Services - Nonstudent Based:				
0051	\$ 2,949,111	\$ 2,959,111	\$ 2,828,735	\$ 130,376
0052	51,900	51,900	47,644	4,256
0053	412,538	435,626	344,429	91,197
	<u>\$ 3,413,549</u>	<u>\$ 3,446,637</u>	<u>\$ 3,220,808</u>	<u>\$ 225,829</u>
Debt Service:				
0071	\$ 785,941	\$ 165,371	\$ 167,428	\$ (2,057)
0072	-	215,265	6,702	208,563
	<u>\$ 785,941</u>	<u>\$ 380,636</u>	<u>\$ 174,130</u>	<u>\$ 206,506</u>
Education Programs				
0093	\$ 5,000	\$ 5,000	\$ -	\$ 5,000
0095	-	3,500	3,500	-
0099	-	10,183	-	10,183
	<u>\$ 5,000</u>	<u>\$ 18,683</u>	<u>\$ 3,500</u>	<u>\$ 15,183</u>
6030 Total Expenditures	\$ 19,588,420	\$ 19,347,361	\$ 18,750,205	\$ 597,156
1100	\$ -	\$ 241,059	\$ 1,020,617	\$ 779,558
OTHER FINANCING SOURCES (USES)				
7913	\$ -	\$ (195,265)	\$ 282,018	\$ 477,283
8911	-	(500,000)	(500,000)	-
7080 Net Other Financing Sources (Uses)	\$ -	\$ (695,265)	\$ (217,982)	\$ 477,283
1200 Net Change in Fund Balance	\$ -	\$ (454,206)	\$ 802,635	\$ 1,256,841
0100	5,232,709	5,232,710	5,232,710	-
3000 Fund Balance - Ending (August 31)	\$ 5,232,709	\$ 4,778,504	\$ 6,035,345	\$ 1,256,841

OTHER SUPPLEMENTARY INFORMATION

ANNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2014

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2013	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2014
		Maintenance	2 Debt Service							
XXXX	2005 and Prior Years	Various	Various	Various	\$ 29,074	\$ -	\$ 1,275	\$ 166	\$ (2,132)	\$ 25,501
2005	2006	1.455240	0.369760	335,632,317	12,372	-	303	77	1	11,993
2006	2007	1.330360	0.441040	408,479,548	7,989	-	266	88	1	7,636
2007	2008	1.010050	0.471430	481,315,227	9,123	-	1,070	500	1	7,554
2008	2009	1.040050	0.500000	525,093,885	10,717	-	79	38	(613)	9,987
2009	2010	1.040050	0.500000	510,322,117	11,249	-	1,689	812	508	9,256
2010	2011	1.040000	0.500000	503,954,679	15,065	-	3,799	1,826	610	10,050
2011	2012	1.040000	0.500000	492,532,013	24,043	-	7,576	3,642	610	13,435
2012	2013	1.040000	0.500000	506,216,299	92,606	-	35,609	17,120	(7,414)	32,463
2013	2014	1.040000	0.500000	557,470,288	-	8,585,042	5,739,506	2,759,374	18,750	104,912
1000	TOTALS				\$ 212,238	\$ 8,585,042	\$ 5,791,172	\$ 2,783,643	\$ 10,322	\$ 232,787

ANNA INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 408,520	\$ 408,520	\$ 420,119	\$ 11,599
5800	State Program Revenues	5,500	5,500	31,111	25,611
5900	Federal Program Revenues	632,688	632,688	707,989	75,301
5020	Total Revenues	\$ 1,046,708	\$ 1,046,708	\$ 1,159,219	\$ 112,511
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	\$ 1,046,708	\$ 1,046,708	\$ 1,048,221	\$ (1,513)
	Total Support Services - Student (Pupil)	\$ 1,046,708	\$ 1,046,708	\$ 1,048,221	\$ (1,513)
6030	Total Expenditures	\$ 1,046,708	\$ 1,046,708	\$ 1,048,221	\$ (1,513)
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 110,998	\$ 110,998
1200	Net Change in Fund Balance	\$ -	\$ -	\$ 110,998	\$ 110,998
0100	Fund Balance - Beginning (September 1)	228,960	228,960	228,960	-
3000	Fund Balance - Ending (August 31)	\$ 228,960	\$ 228,960	\$ 339,958	\$ 110,998

ANNA INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 2,586,446	\$ 3,929,634	\$ 2,810,220	\$ (1,119,414)
5800	State Program Revenues	1,358,067	1,447,155	1,681,941	234,786
5020	Total Revenues	\$ 3,944,513	\$ 5,376,789	\$ 4,492,161	\$ (884,628)
EXPENDITURES					
Debt Service:					
0071	Principal on Long-term Debt	\$ 1,485,000	\$ 1,635,000	\$ 1,635,000	\$ -
0072	Interest on Long-term Debt	3,797,701	4,081,701	3,617,149	464,552
0073	Debt Issuance Costs and Fees	5,000	99,088	145,368	(46,280)
	Total Debt Service	<u>\$ 5,287,701</u>	<u>\$ 5,815,789</u>	<u>\$ 5,397,517</u>	<u>\$ 418,272</u>
6030	Total Expenditures	\$ 5,287,701	\$ 5,815,789	\$ 5,397,517	\$ 418,272
1100	Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,343,188)</u>	<u>\$ (439,000)</u>	<u>\$ (905,356)</u>	<u>\$ (466,356)</u>
OTHER FINANCING SOURCES (USES)					
7911	Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ -	\$ 7,440,000	\$ 7,440,000
7915	Transfers In	500,000	939,000	939,000	-
7916	Premium or Discount on Issuance of Bonds	-	-	747,960	747,960
8949	Other Uses	-	-	(8,050,217)	(8,050,217)
7080	Net Other Financing Sources (Uses)	\$ 500,000	\$ 939,000	\$ 1,076,743	\$ 137,743
1200	Net Change in Fund Balance	\$ (843,188)	\$ 500,000	\$ 171,387	\$ (328,613)
0100	Fund Balance - Beginning (September 1)	347,668	347,668	347,668	-
3000	Fund Balance - Ending (August 31)	\$ (495,520)	\$ 847,668	\$ 519,055	\$ (328,613)

ANNA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2014

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weakness in internal codes?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end?	\$ 6,780,755

FEDERAL AWARDS SECTION

ANNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

(01) Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(02A) Pass-Through Grantor Identifying Number	(03) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through the Texas Education Agency:			
Summer School LEP	84.369	69551202	\$ 4,452
IDEA - B Formula	84.027	146600010439026600	425,964
IDEA - B Preschool	84.173	146610010439026610	2,215
IDEA - B Discretionary	84.027	136600020439026674	<u>90,392</u>
Total Passed through the Texas Education Agency			<u>\$ 523,023</u>
Passed through the Education Service Center, Region X:			
ESEA Title I Part A - Improving Basic Programs	84.010	14610101057950	\$ 202,430
Career and Technical - Carl Perkins Grant	84.048	13420006057950	16,613
Title III Part A - LEP	84.365	13615002057950	34,139
ESEA Title II Part A - Teacher & Principal Training	84.367	14694501057950	<u>30,051</u>
Total Passed through the Education Service Center, Region X:			<u>\$ 283,233</u>
Total Department of Education			<u>\$ 806,256</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program *	10.553	0600	\$ 141,353
National School Lunch Program *	10.555	0600	507,199
USDA Food Distribution	10.550	116007A	<u>59,437</u>
Total Department of Agriculture			<u>\$ 707,989</u>
Total Expenditures of Federal Awards			<u>\$ 1,514,245</u>

* Denotes Major Program

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED AUGUST 31, 2014

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Anna Independent School District and is presented on the modified accrual basis of accounting. Expenditures are recognized in the accounting period in which a fund liability occurs. Funds are considered earned to the extent of expenditures made.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Government and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at year end.

C. Reconciliation with Financial Statements

The District records amounts received from the federal government or other recipients of federal grants as federal revenue in the financial statements. This reconciliation identifies the differences between the financial statement revenues and the schedule of expenditures of federal awards:

Total Federal Expenditures (Exhibit K-1)	\$	1,514,245
E-Rate Rebate		30,638
School Health and Related Services		<u>97,534</u>
Federal Revenue (Exhibit C-3)	\$	<u>1,642,417</u>