

ANNA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2015

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ANNA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2015

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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 ✓ approved/ _____ disapproved for the year ended August 31, 2015, at a meeting of the board of school trustees of such school district on 11-19-15.



Signature of Board Secretary



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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2015, 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.

Change in Accounting Principle

As discussed in Note P to the financial statements, in 2015 the District adopted various accounting pronouncements issued by the Governmental Accounting Standards Board. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 November 12, 2015, 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.

November 12, 2015
Greenville, Texas



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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 12, 2015.

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is presented in the accompanying schedule of findings and questioned costs as item 2015-1.

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.

November 12, 2015
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, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and 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, 2015.

Report on Internal Control Over Compliance

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

Internal Control over Compliance with A-133 – 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.

November 12, 2015
Greenville, Texas

Rutherford, Taylor & Company PC

ANNA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED AUGUST 31, 2015

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	Special Education Cluster: IDEA-B Formula (84.027) IDEA-B Preschool (84.173)
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 Education Agency

ANNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2015

Financial Statement Findings (Section II)

2015 – 1

Expenditures over Appropriations

Criteria:	Texas Education Code, Section 44.002 through 44.006 establishes the legal basis for budget development in school districts. No funds may be expended in any manner other than as provided in the adopted budget. The Texas Education Agency has adopted regulations that require compliance at the functional expenditure level.
Condition Found:	The District overexpended Functional expenditure categories during the year and at the year end.
Questioned Costs/Basis:	None
Instances/Universe:	Expenditures of the legally required budgeted funds are distributed into nineteen functional expenditure categories. The District overexpended three of the functional categories.
Effect:	The District appears to not have been in compliance with Texas Education Code, Section 44.002 through 44.006.
Recommendation:	The District should begin a monthly review of functional categories and anticipate necessary amendments. Management should bring these amendments to the board and request approval for authority to change the budget. Once approved all amendments should be posted to the general ledger to ensure compliance with state statutes.

ANNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2015

Federal Award Findings and Questioned Costs (Section III)

NONE

ANNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2015

Prior Year Findings (Section IV)

NONE

ANNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2015

Corrective Action Plans (Section V)

2015 – 1

Expenditures over Appropriations

The District will continue to monitor and amend the budget where and when needed. A monthly review process has been implemented to ensure budget amendments are made timely to allow for authorized expenditures. Extra emphasis will be made to ensure year end expenditures (accounts payable) are accurately reflected in the financial records.

Contact Person: Thomas O'Neal, Assistant Superintendent

ANNA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2015

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, 2015. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

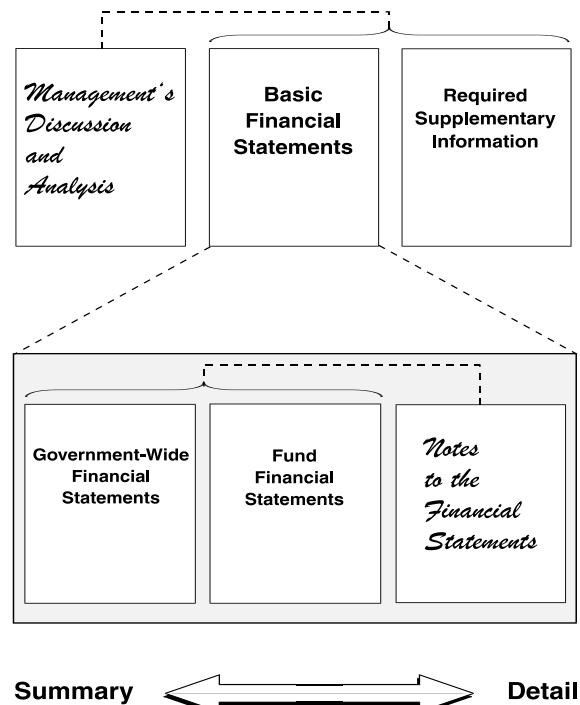
- The District's total combined net position was \$ 548,331 at August 31, 2015.
- During the year, the District's expenses were \$ 59,871 more than the \$ 30,385,125 generated in local property taxes and other revenues for governmental activities.
- The total cost of the District's programs was increased 5.77% from last year and no new programs were added this year.
- The General Fund reported a fund balance this year of \$ 6,638,958.
- The District issued refunding bonded debt during the year totaling \$ 8,870,000 to provide reduced debt costs in future years.

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, 2015

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, 2015

- 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 \$ 548,331 at August 31, 2015.

Anna Independent School District's Net Position			Table A-1
	Governmental Activities		Total Percentage Change
	2015	2014	2014-2015
Assets:			
Cash and Investments	\$ 8,075,303	\$ 8,734,466	-7.55%
Other Assets	982,061	781,436	25.67%
Capital Assets less Accumulated Depreciation	91,599,228	92,717,931	-1.21%
Total Assets	\$ 100,656,592	\$ 102,233,833	-1.54%
Total Deferred Outflows of Resources	\$ 2,632,706	\$ 1,553,973	69.42%
Liabilities:			
Current Liabilities	\$ 1,288,990	\$ 1,662,215	-22.45%
Long-term Liabilities	100,928,071	99,576,945	1.36%
Total Liabilities	\$ 102,217,061	\$ 101,239,160	0.97%
Total Deferred Inflows of Resources	\$ 523,906	\$ -	100.00%
Net Position:			
Net Investment in Capital Assets	\$ (53,737)	\$ 708,829	-107.58%
Restricted	656,601	808,667	-18.80%
Unrestricted	(54,533)	1,031,150	-105.29%
Total Net Position	\$ 548,331	\$ 2,548,646	-78.49%

Approximately \$ 296,165 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 \$ 30,385,128. 33% of the District's revenue comes from local property taxes (See Table A-2). 64% comes from state aid and federal grants, while only 3% relates to charges for services and other miscellaneous revenues, including investment earnings.

The total cost of all programs and services was \$ 30,444,996. 47% 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 100.06%. The total tax collection percentage rate (base tax and penalty and interest) was 100.69%.

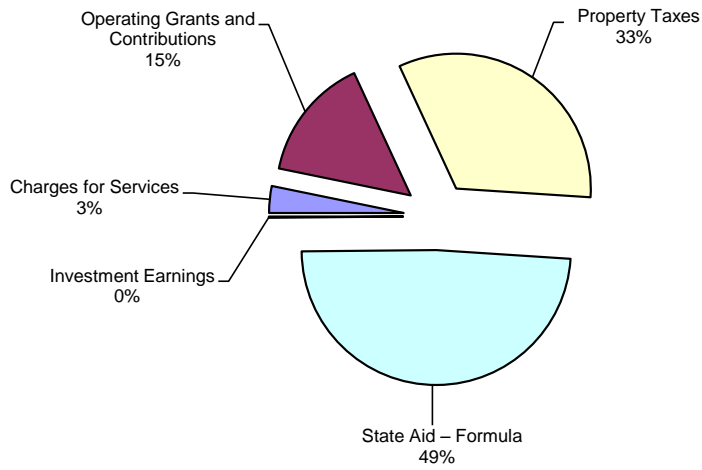
ANNA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2015

GOVERNMENTAL ACTIVITIES

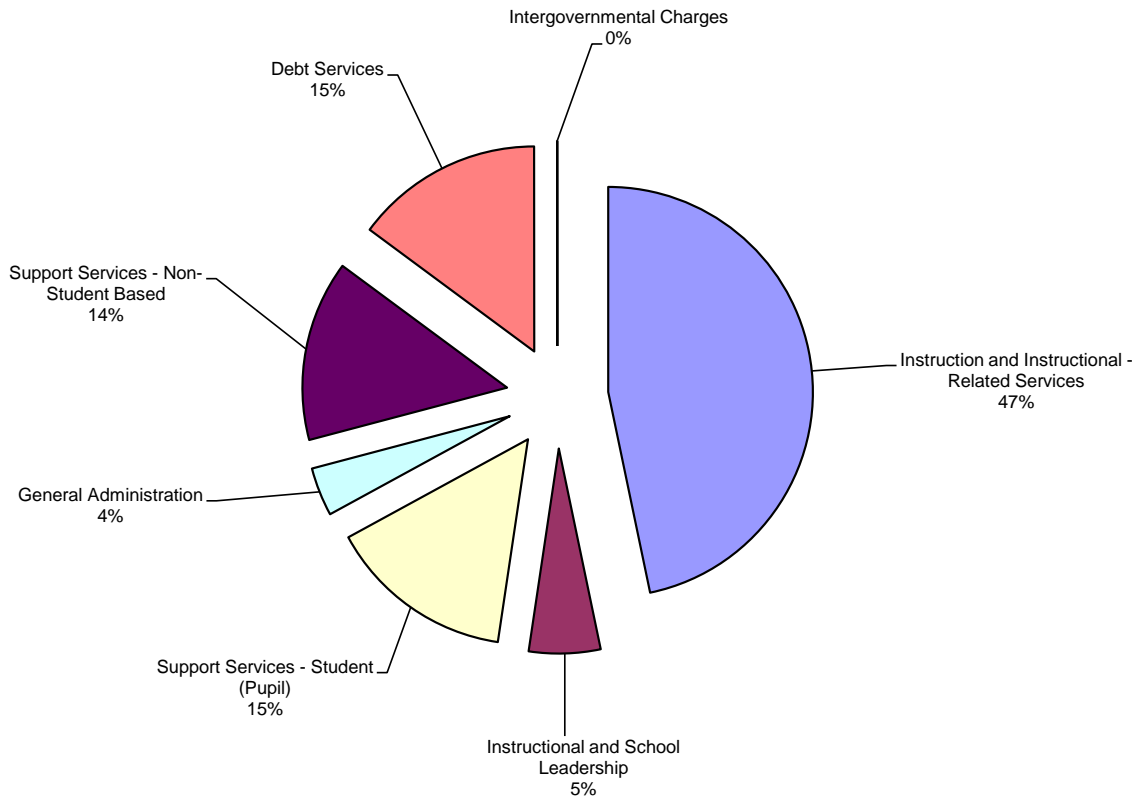
Changes in Anna Independent School District's Net Position			Table A-2
	Governmental Activities		Total Percentage Change
	2015	2014	2014-2015
Program Revenues:			
Charges for Services	\$ 974,531	\$ 667,330	46.03%
Operating Grants and Contributions	4,516,326	4,552,051	-0.78%
General Revenues:			
Property Taxes	9,998,804	8,657,518	15.49%
State Aid – Formula	14,818,126	12,705,633	16.63%
Investment Earnings	45,450	33,460	35.83%
Miscellaneous	31,888	55,301	-42.34%
Total Revenues	<u>\$ 30,385,125</u>	<u>\$ 26,671,293</u>	13.92%
Instruction	\$ 13,735,323	\$ 13,359,306	2.81%
Instructional Resources and Media Services	322,001	322,020	-0.01%
Curriculum and Staff Development	131,808	3,380	3799.64%
Instructional Leadership	212,975	130,740	62.90%
School Leadership	1,501,013	1,358,816	10.46%
Guidance, Counseling and Evaluation Services	409,160	413,398	-1.03%
Health Services	297,725	267,783	11.18%
Student (Pupil) Transportation	1,314,983	1,184,131	11.05%
Food Services	1,448,238	1,221,287	18.58%
Cocurricular/Extracurricular Activities	996,816	659,688	51.10%
General Administration	1,161,719	1,062,437	9.34%
Plant Maintenance and Operations	3,275,837	3,118,746	5.04%
Security and Monitoring Services	144,592	47,644	203.48%
Data Processing	902,314	413,018	118.47%
Debt Service	4,514,953	5,004,447	-9.78%
Capital Outlay	58,171	241,955	-75.96%
Payments to Juvenile Justice Alternative Ed. Programs	13,435	3,500	283.86%
Other Intergovernmental Charges	3,933	-	100.00%
Total Expenses	<u>\$ 30,444,996</u>	<u>\$ 28,812,296</u>	5.67%
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ (59,871)</u>	<u>\$ (2,141,003)</u>	97.20%
Increase (Decrease) in Net Position	<u>\$ (59,871)</u>	<u>\$ (2,141,003)</u>	97.20%
Net Position - Beginning (September 1)	\$ 2,548,646	\$ 4,689,649	-45.65%
Prior Period Adjustment	(1,940,444)	-	100.00%
Net Position - Beginning, as Restated	<u>\$ 608,202</u>	<u>\$ 4,689,649</u>	-87.03%
Net Position - Ending (August 31)	<u>\$ 548,331</u>	<u>\$ 2,548,646</u>	-78.49%

ANNA INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED AUGUST 31, 2015

Sources of Revenue for Fiscal Year 2015 - See Table A-2



Functional Expenses for Fiscal Year 2015 - See Table A-2



ANNA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2015

- 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 \$ 30,444,996.
- However, the amount that our taxpayers paid for these activities through local property taxes was only \$ 9,998,807.
- Some of the cost was paid by those who directly benefited from the programs, \$ 974,531, or
- By grants and contributions, \$ 4,516,326.

Anna Independent School District's Net Cost of Selected District Functions							Table A-3
	Total Cost of Services			%	Net Cost of Services		
	2015	2014	Change		2015	2014	Change
Instruction	\$ 13,735,323	\$ 13,359,306	2.81%	\$ 12,029,767	\$ 11,510,096	4.51%	
School Leadership	1,501,013	1,358,816	10.46%	1,430,190	1,302,119	9.84%	
General Administration	1,161,719	1,062,437	9.34%	1,124,216	1,017,380	10.50%	
Plant Maintenance and Operations	3,275,837	3,118,746	5.04%	3,210,754	2,990,063	7.38%	
Debt Service	4,401,894	5,101,034	-13.71%	2,626,073	3,419,093	-23.19%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$ 30,383,534. This is an increase of \$ 3,731,763 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 \$ 30,828,046. This total is more than the prior year total expenditures of \$ 26,896,941. This increase is related to general operating costs due to increased enrollment.

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 \$ 464,622 below final General Fund budget amounts. The most significant positive variance resulted from student transportation and capital outlay.

Resources available were \$ 788,992 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, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At year end, the District had invested \$ 114,417,173 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
	2015	2014	Percentage Change 2014-2015
Land	\$ 2,892,151	\$ 2,892,151	0.00%
Construction in Progress	151,809	151,809	0.00%
Buildings and Improvements	108,878,375	107,499,037	1.28%
Vehicles	1,825,315	1,434,565	27.24%
Equipment	669,523	602,718	11.08%
Totals at Historical Cost	\$ 114,417,173	\$ 112,580,280	1.63%
Less Accumulated Depreciation	(22,817,945)	(19,862,349)	14.88%
Net Capital Assets	<u>\$ 91,599,228</u>	<u>\$ 92,717,931</u>	-1.21%

DEBT

At year end, the District had \$ 99,215,418 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
	2015	2014	Percentage Change 2014-2015
Bonds Payable	\$ 88,460,024	\$ 90,335,024	-2.08%
Capital Leases Payable	188,302	391,535	-51.91%
Other Debt Payable	10,567,092	8,850,386	19.40%
Total Debt Payable	<u>\$ 99,215,418</u>	<u>\$ 99,576,945</u>	-0.36%

ANNA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2015

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 in prior years 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 Thomas O'Neal, Assistant Superintendent for the District.

BASIC FINANCIAL STATEMENTS

ANNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2015

1

Data Control Codes		Governmental Activities
<hr/>		
ASSETS		
1110	Cash and Investments	\$ 8,075,303
1225	Property Taxes Receivable, Net	222,739
1240	Due from Other Governments	759,278
1250	Accrued Interest	44
	Capital Assets:	
1510	Land	2,892,151
1520	Buildings and Improvements, Net	87,253,336
1530	Furniture and Equipment, Net	1,301,932
1580	Construction in Progress	151,809
1000	Total Assets	<u>\$ 100,656,592</u>
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred Outflows - Pensions	\$ 542,034
1702	Deferred Outflows - Refunding	2,090,672
1700	Total Deferred Outflows of Resources	<u>\$ 2,632,706</u>
LIABILITIES		
2110	Accounts Payable	\$ 97,847
2140	Interest Payable	147,980
2165	Accrued Liabilities	689,389
2300	Unearned Revenue	353,774
	Noncurrent Liabilities:	
2501	Due within one year	1,597,703
2502	Due in more than one year	97,617,715
2540	Net Pension Liability	1,712,653
2000	Total Liabilities	<u>\$ 102,217,061</u>
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflows - Pensions	\$ 523,906
2600	Total Deferred Inflows of Resources	<u>\$ 523,906</u>
NET POSITION		
3200	Net Investment in Capital Assets	\$ (53,737)
	Restricted For:	
3820	Federal and State Programs	362,600
3850	Debt Retirement	269,165
3890	Other Purposes	24,836
3900	Unrestricted	(54,533)
3000	Total Net Position	<u>\$ 548,331</u>

The accompanying notes are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	
	Governmental Activities:				
11	Instruction	\$ 13,735,323	\$ 184,121	\$ 1,521,435	\$ (12,029,767)
12	Instructional Resources and Media Services	322,001	-	14,131	(307,870)
13	Curriculum and Staff Development	131,808	-	17,271	(114,537)
21	Instructional Leadership	212,975	-	8,201	(204,774)
23	School Leadership	1,501,013	-	70,823	(1,430,190)
31	Guidance, Counseling and Evaluation Services	409,160	-	17,024	(392,136)
33	Health Services	297,725	-	15,991	(281,734)
34	Student (Pupil) Transportation	1,314,983	-	46,485	(1,268,498)
35	Food Services	1,448,238	532,814	770,573	(144,851)
36	Cocurricular/Extracurricular Activities	996,816	257,596	23,561	(715,659)
41	General Administration	1,161,719	-	37,503	(1,124,216)
51	Plant Maintenance and Operations	3,275,837	-	65,083	(3,210,754)
52	Security and Monitoring Services	144,592	-	946	(143,646)
53	Data Processing Services	902,314	-	131,478	(770,836)
72	Interest on Long-term Debt	4,343,723	-	1,775,821	(2,567,902)
73	Debt Issuance Costs and Fees	171,230	-	-	(171,230)
81	Capital Outlay	58,171	-	-	(58,171)
95	Payments to Juvenile Justice Alternative Ed. Programs	13,435	-	-	(13,435)
99	Other Intergovernmental Charges	3,933	-	-	(3,933)
TG	Total Governmental Activities	<u>\$ 30,444,996</u>	<u>\$ 974,531</u>	<u>\$ 4,516,326</u>	<u>\$ (24,954,139)</u>
TP	Total Primary Government	<u>\$ 30,444,996</u>	<u>\$ 974,531</u>	<u>\$ 4,516,326</u>	<u>\$ (24,954,139)</u>
MT	Property Taxes, Levied for General Purposes				\$ 6,753,101
DT	Property Taxes, Levied for Debt Service				3,245,703
IE	Investment Earnings				45,450
GC	Grant and Contributions Not Restricted to Specific Programs				14,818,126
MI	Miscellaneous				31,888
TR	Total General Revenues and Transfers				<u>\$ 24,894,268</u>
CN	Change in Net Position				\$ (59,871)
NB	Net Position - Beginning (September 1)				\$ 2,548,646
PA	Prior Period Adjustment				(1,940,444)
	Net Position - Beginning, as Restated				<u>\$ 608,202</u>
NE	Net Position - Ending (August 31)				<u>\$ 548,331</u>

The accompanying notes are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS				
1110 Cash and Investments	\$ 6,957,577	\$ 484,685	\$ 336,292	\$ 7,778,554
1225 Property Taxes Receivable, Net	154,584	68,155	-	222,739
1240 Due from Other Governments	546,095	-	213,183	759,278
1250 Accrued Interest	-	-	44	44
1000 Total Assets	<u>\$ 7,658,256</u>	<u>\$ 552,840</u>	<u>\$ 549,519</u>	<u>\$ 8,760,615</u>
LIABILITIES				
Current Liabilities:				
2110 Accounts Payable	\$ -	\$ -	\$ 1,963	\$ 1,963
2160 Accrued Wages Payable	638,827	-	36,622	675,449
2170 Due to Other Funds	-	-	2,909	2,909
2200 Accrued Expenses	12,242	-	1,698	13,940
2300 Unearned Revenues	213,645	135,695	4,434	353,774
2000 Total Liabilities	<u>\$ 864,714</u>	<u>\$ 135,695</u>	<u>\$ 47,626</u>	<u>\$ 1,048,035</u>
DEFERRED INFLOWS OF RESOURCES				
2600 Total Deferred Inflows of Resources	<u>\$ 154,584</u>	<u>\$ 68,155</u>	<u>\$ -</u>	<u>\$ 222,739</u>
FUND BALANCES				
Restricted Fund Balances:				
3450 Federal/State Funds Grants	\$ -	\$ -	\$ 362,600	\$ 362,600
3480 Retirement of Long-Term Debt	-	348,990	-	348,990
3490 Other Restrictions of Fund Balance	-	-	46,926	46,926
Committed Fund Balances:				
3510 Construction	1,500,000	-	-	1,500,000
3545 Other Committed Fund Balance	-	-	92,367	92,367
3600 Unassigned	5,138,958	-	-	5,138,958
3000 Total Fund Balances	<u>\$ 6,638,958</u>	<u>\$ 348,990</u>	<u>\$ 501,893</u>	<u>\$ 7,489,841</u>
4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,658,256</u>	<u>\$ 552,840</u>	<u>\$ 549,519</u>	<u>\$ 8,760,615</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, 2015

Total fund balances - Balance Sheet (governmental funds)	\$	7,489,841
<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.		91,599,228
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		222,739
The assets and liabilities of internal service funds are included in governmental activities in the SNP.		203,774
Payables for bond principal which are not due in the current period are not reported in the funds.		(88,460,024)
Payables for capital leases which are not due in the current period are not reported in the funds.		(188,302)
Payables for bond interest which are not due in the current period are not reported in the funds.		(147,980)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(10,567,092)
Other long-term assets are not available to pay for current period expenditures and are deferrd in the funds.		2,090,672
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(1,712,653)
Deferred Resource Inflows related to TRS are not reported in the funds.		(523,906)
Deferred Resource Outflows related to TRS are not reported in the funds.		542,034
		<hr style="border-top: 1px solid black;"/>
Net position of governmental activities - Statement of Net Position	\$	<u>548,331</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, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
REVENUES					
5700	Local and Intermediate Sources	\$ 7,073,344	\$ 3,255,354	\$ 720,917	\$ 11,049,615
5800	State Program Revenues	15,745,471	1,775,821	135,539	17,656,831
5900	Federal Program Revenues	249,279	-	1,427,809	1,677,088
5020	Total Revenues	\$ 23,068,094	\$ 5,031,175	\$ 2,284,265	\$ 30,383,534
EXPENDITURES					
Current:					
0011	Instruction	\$ 11,728,221	\$ -	\$ 779,388	\$ 12,507,609
0012	Instructional Resources and Media Services	299,534	-	26	299,560
0013	Curriculum and Staff Development	120,688	-	13,361	134,049
0021	Instructional Leadership	191,379	-	-	191,379
0023	School Leadership	1,394,153	-	-	1,394,153
0031	Guidance, Counseling and Evaluation Services	364,565	-	-	364,565
0033	Health Services	275,439	-	-	275,439
0034	Student (Pupil) Transportation	1,414,117	-	-	1,414,117
0035	Food Services	-	-	1,280,745	1,280,745
0036	Cocurricular/Extracurricular Activities	709,390	-	153,022	862,412
0041	General Administration	1,025,522	-	4,857	1,030,379
0051	Plant Maintenance and Operations	3,015,568	-	-	3,015,568
0052	Security and Monitoring Services	144,706	-	-	144,706
0053	Data Processing Services	845,236	-	2,469	847,705
0071	Principal on Long-term Debt	203,233	1,635,000	-	1,838,233
0072	Interest on Long-term Debt	7,600	3,557,915	-	3,565,515
0073	Debt Issuance Cost and Fees	-	171,230	-	171,230
0081	Capital Outlay	707,761	-	765,553	1,473,314
0095	Payments to Juvenile Justice Alternative Ed. Programs	13,435	-	-	13,435
0099	Other Intergovernmental Charges	3,933	-	-	3,933
6030	Total Expenditures	\$ 22,464,480	\$ 5,364,145	\$ 2,999,421	\$ 30,828,046
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 603,614	\$ (332,970)	\$ (715,156)	\$ (444,512)
OTHER FINANCING SOURCES (USES)					
7911	Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ 8,870,000	\$ -	\$ 8,870,000
7916	Premium or Discount on Issuance of Bonds	-	1,073,970	-	1,073,970
8949	Other Uses	-	(9,781,065)	-	(9,781,065)
7080	Net Other Financing Sources (Uses)	\$ -	\$ 162,905	\$ -	\$ 162,905
1200	Net Changes in Fund Balances	\$ 603,614	\$ (170,065)	\$ (715,156)	\$ (281,607)
0100	Fund Balances - Beginning (September 1)	6,035,344	519,055	1,217,049	7,771,448
3000	Fund Balances - Ending (August 31)	\$ 6,638,958	\$ 348,990	\$ 501,893	\$ 7,489,841

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, 2015

Net change in fund balances - total governmental funds	\$	(281,607)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays that are not reported as expenses in the SOA.		1,836,893
The depreciation of capital assets not used in governmental activities is not reported in the funds.		(2,955,596)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		1,591
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		9,763,571
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.		203,233
The accretion of interest on capital appreciation bonds is not reported in the funds.		(759,608)
(Increase) decrease in accrued interest expense from beginning of period to end of period.		(1,106)
The net revenue (expense) of internal service funds is reported with governmental activities.		195,810
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.		(8,870,000)
Bond premiums are reported in the funds, but not in the SOA.		(1,073,970)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.		(158,305)
Pension contributions made before the measurement date but in current FY were de-expended and reduced NPO.		404,223
		<hr/>
Change in net position of governmental activities - Statement of Activities	\$	<u>(59,871)</u>

The accompanying notes are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
AUGUST 31, 2015

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
 ASSETS	
Current Assets:	
1110 Cash and Investments	\$ 296,749
Receivables:	
1260 Due from Other Funds	<u>2,909</u>
Total Current Assets	<u>\$ 299,658</u>
 LIABILITIES	
Current Liabilities:	
2110 Accounts Payable	<u>\$ 95,884</u>
Total Current Liabilities	<u>\$ 95,884</u>
2000 Total Liabilities	<u>\$ 95,884</u>
 NET POSITION	
3900 Unrestricted Net Position	<u>\$ 203,774</u>
3000 Total Net Position	<u><u>\$ 203,774</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, 2015

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
OPERATING REVENUES	
5700 Local and Intermediate Sources	\$ 364,595
5020 Total Operating Revenues	\$ 364,595
OPERATING EXPENSES	
6400 Other Operating Costs	\$ 168,785
6030 Total Operating Expenses	\$ 168,785
1300 Change in Net Position	\$ 195,810
0100 Total Net Position - Beginning (September 1)	7,964
3000 Total Net Position - Ending (August 31)	\$ 203,774

The accompanying notes are an integral part of this statement.

ANNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2015

	Internal Service Fund
Cash Flows from Operating Activities	
Cash Receipts from Quasi-External Operating Transfers	\$ 364,595
Cash Payments for Claims	(73,785)
Cash Payments for Reinsurance and Administration	(41,275)
Net Cash Provided by (Used for) Operating Activities	\$ 249,535
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	\$ 249,535
Cash and Investments - Beginning (September 1)	47,214
Cash and Investments - Ending (August 31)	\$ 296,749
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 195,810
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
(Increase) Decrease in Interfund Receivables and Payables	9,974
Increase (Decrease) in Claims Liability	43,751
Net Cash Provided by (Used for) Operating Activities	\$ 249,535

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, 2015

		Agency Fund
Data Control Codes		Student Activity
ASSETS		
1110	Cash and Investments	\$ 135,190
1000	Total Assets	\$ 135,190
LIABILITIES		
Current Liabilities:		
2150	Payroll Deduction & Withholdings	\$ 10,504
2190	Due to Student Groups	124,686
2000	Total Liabilities	\$ 135,190
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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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	\$ -	\$ -	\$ 362,600	\$ 362,600
Retirement of Long Term Debt	-	348,990	-	348,990
Scholarship Fund	-	-	24,836	24,836
Construction	-	-	22,090	22,090
Committed				
Construction	1,500,000	-	-	1,500,000
Campus Activity Funds	-	-	92,367	92,367
Unassigned	5,138,958	-	-	5,138,958
Totals	<u>\$ 6,638,958</u>	<u>\$ 348,990</u>	<u>\$ 501,893</u>	<u>\$ 7,489,841</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, 2015

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. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. 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.

11. 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.

12. 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.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

B. Deposits, Securities and Investments (Continued)

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, 2015, 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.

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).

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

B. Deposits, Securities and Investments (Continued)

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.

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

	<u>Credit Rating</u>	<u>Fair Value</u>
Independent Bank - NOW	n/a	\$ 20,000
TexSTAR	AAAM	3,102,949
TexPool		308,097
CDARS Account – Certificates of Deposit	n/a	<u>3,082,800</u>
Total		<u>\$ 6,513,846</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 \$ 6,985,733.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 6,211,431, and occurred during the month of November 2014.
- 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.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

B. Deposits, Securities and Investments (Continued)

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.

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 \$ 643,402,062.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

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	151,809	-	-	151,809
Total Capital Assets not being Depreciated	\$ 3,043,960	\$ -	\$ -	\$ 3,043,960
Capital Assets being Depreciated:				
Buildings and Improvements	\$ 107,499,037	\$ 1,379,338	\$ -	\$ 108,878,375
Equipment	602,718	66,805	-	669,523
Vehicles	1,434,565	390,750	-	1,825,315
Total Capital Assets being Depreciated	\$ 109,536,320	\$ 1,836,893	\$ -	\$ 111,373,213
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 18,880,379	\$ 2,744,660	\$ -	\$ 21,625,039
Equipment	438,067	47,976	-	486,043
Vehicles	543,903	162,960	-	706,863
Total Accumulated Depreciation	\$ 19,862,349	\$ 2,955,596	\$ -	\$ 22,817,945
Total Capital Assets being Depreciated, Net	\$ 89,673,971	\$ (1,118,703)	\$ -	\$ 88,555,268
Governmental Activities Capital Assets, Net	\$ 92,717,931	\$ (1,118,703)	\$ -	\$ 91,599,228

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 1,589,500
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	276,123
Food Services	173,066
Cocurricular/Extracurricular Activities	147,802
General Administration	139,233
Plant Maintenance and Operations	318,165
Data Processing Services	59,322
Total	\$ 2,955,596

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

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	\$ 90,335,024	\$ 8,870,000	\$ 10,745,000	\$ 88,460,024	\$ 1,505,000
Capital Leases Payable	391,535	-	203,233	188,302	92,703
Accreted Interest	6,780,755	759,608	-	7,540,363	-
Unamortized Premium (Discount)	2,069,631	1,073,970	116,872	3,026,729	-
Total Governmental Activities	<u>\$ 99,576,945</u>	<u>\$ 10,703,578</u>	<u>\$ 11,065,105</u>	<u>\$ 99,215,418</u>	<u>\$ 1,597,703</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 2015," totaling \$ 8,870,000 to be used to refund maturities of the following outstanding Series:

Unlimited Tax School Building Bonds, Series 2006

Unlimited Tax School Building Bonds, Series 2007

The bonds are dated February 15, 2015 and were issued March 19, 2015. 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, 2017.

As a result of the refunding, the District decreased its debt service requirements by \$ 1,264,531. 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 \$ 424,017.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

E. Long Term Obligations (Continued)

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 2006	5.25%	8,000,000	190,000
Unlimited Tax School Building Bonds, Series 2007	6.00%	15,000,000	10,810,000
Unlimited Tax School Building Bonds, Series 2008	5.50%	9,995,000	9,250,000
Unlimited Tax Refunding Bonds, Series 2009	6.00%	5,355,000	3,605,000
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	7,255,000
Unlimited Tax Refunding Bonds, Series 2015	2.61%	8,870,000	8,820,000
Totals			<u>\$ 88,460,024</u>

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

Year Ending August 31	Principal	Interest	Total Requirements
2016	\$ 1,505,000	\$ 3,712,458	\$ 5,217,458
2017	1,815,000	3,405,258	5,220,258
2018	1,985,000	3,336,958	5,321,958
2019	2,060,000	3,262,758	5,322,758
2020	2,135,000	3,187,370	5,322,370
2021 - 2025	11,989,145	16,608,494	28,597,639
2026 - 2030	14,249,102	14,841,988	29,091,090
2031 - 2035	16,324,040	12,765,414	29,089,454
2036 - 2040	10,866,127	17,765,511	28,631,638
2041 - 2045	7,304,105	21,218,895	28,523,000
2046 - 2050	17,716,622	10,809,628	28,526,250
2047 - 2051	510,883	5,194,117	5,705,000
TOTALS	<u>\$ 88,460,024</u>	<u>\$ 116,108,849</u>	<u>\$ 204,568,873</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, 2015

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
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>\$ 282,018</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
2016	\$ 98,587
2017	98,586
Total Minimum Lease Payments	\$ 197,173
Less Amount Representing Interest	<u>(8,871)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 188,302</u>

F. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS's defined benefit pension plan operates primarily under the provision of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas State Legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS internet website, www.trs.state.tx.us.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

F. Pension Plan (Continued)

2. Benefits Provided

TRS administers retirement and disability annuities, and death survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. Benefits are established or amended primarily under the authority of the provisions of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The pension's board of trustees does not have the authority to establish or amend benefits. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals or exceed 80 years. Reduced service retirement is at age 55 with 5 years of credited service and any age below 50 with 30 years of credited service. A member is fully vested after 5 years of creditable service and entitled to any benefit for which eligibility requirements have been met. The plan does not provide automatic cost of living adjustments (COLA's). Ad hoc post-employment benefits changes, including ad hoc COLA's can be granted by the Texas Legislature as noted in the Plan Description above.

3. Contributions

Contribution requirements are established or amended pursuant to the following state laws: (1) Article 16, section 67 of the Texas Constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the system's actuary. As the non-employer contributing entity, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

F. Pension Plan (Continued)

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge. Employee contribution rates are set in state statute, Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. Contribution amounts for fiscal year 2015 are as follows:

	Contributions Required and Made	
Member (Employee)	\$	830,836
Non-Employer Contributing Agency (State On Behalf)	\$	727,210
District (Employer)	\$	162,553

Contribution rates for the plan fiscal year (September to August) 2014 and 2015 are as follows:

	Contribution Rates Plan Fiscal Year	
	2014	2015
Member (Employee)	6.4%	6.7%
District (Employer)	6.8%	6.8%
Non-Employer Contributing Agency (State On Behalf)	6.8%	6.8%

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

At August 31, 2014, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	1,712,653
State's proportionate share of the net pension liability associated with the District		<u>7,678,140</u>
Total	\$	<u><u>9,390,793</u></u>

The net pension liability was measured as of August 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all participating entities. At August 31, 2014, the District's proportion was 0.0064117% which was not measured as of August 31, 2013.

For the year ended August 31, 2014, the District recognized pension expense of \$ 709,830 and revenue of \$ 709,830 for support provided by the State.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

F. Pension Plan (Continued)

At August 31, 2014, the District report deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 26,487	\$ -
Changes of assumptions	111,324	-
Net difference between projected and actual earnings on pension plan investments	-	523,457
Changes in proportion and differents between District contributions and proportionate share of contributions	-	449
	<u> </u>	<u> </u>
Total	<u>\$ 137,811</u>	<u>\$ 523,906</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Total Amounts per August 31, 2014 measurement date	\$ 137,811	\$ 523,906
Contribution paid to TRS subsequent to the measurement date	404,223	-
	<u> </u>	<u> </u>
Total Financial Statement Amounts	<u>\$ 542,034</u>	<u>\$ 523,906</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending August 31</u>	<u>Amount</u>
2015	\$ (107,691)
2016	(107,691)
2017	(107,691)
2018	(107,691)
2019	23,173
Thereafter	21,496

5. Actuarial Assumptions

The total pension liability is determined by an annual actuarial valuation. The active mortality rates were based on the 1994 Group Annuity Mortality Table set back 6 years for both males and females. The Post-retirement mortality rates were based on client specific tables multiplied by 80%. The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the four-year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rate for current and future retirees has decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards Practice No. 35.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

F. Pension Plan (Continued)

The following assumptions were applied to this measurement period:

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

* Includes Inflation of 3.00%

6. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary new position was projected to be available to make all future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investment was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized on the next page:

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

F. Pension Plan (Continued)

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return *
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
Total	<u>100%</u>		<u>8.7%</u>

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

For the year ended August 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 16.9%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

7. Discount Rate Sensitivity Analysis

The following presents the District's share of the net pension liability of the plan using the discount rate of 8%, as well as what the District's share of the net pension liability would be if it were calculated using a discount rate that is 1 - percentage point lower (7%) or 1 - percentage point higher (9%) than the current rate:

	1% Decrease	Current Rate	1% Increase
District's proportional share of the net pension liability	\$ 3,060,408	\$ 1,712,653	\$ 704,784

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

F. Pension Plan (Continued)

8. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 159,496,075,886
Less: Plan Fiduciary Net Position	(132,779,243,085)
Net Pension Liability	<u>\$ 26,716,832,801</u>
Net Position as percentage of Total Pension Liability	83.25%

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 2015, 2014 and 2013. 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. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates are shown in the table below for fiscal years 2015-2013.

Contribution Rates			
<u>Year</u>	<u>Active Member</u>	<u>State</u>	<u>District</u>
2015	0.65%	1.00%	0.55%
2014	0.65%	1.00%	0.55%
2013	0.65%	0.50%	0.55%

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

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 \$ 136,305 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 61,067 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, 2014 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, 2014, 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 14-15 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, 2015

H. Risk Management (Continued)

The accrued liability for workers compensation self insurance of \$ 49,909 includes \$ 48,858 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 2015 and 2014 are represented below:

	<u>2015</u>	<u>2014</u>
Beginning Claims Liability	\$ 49,909	\$ 57,142
Claims Incurred (Reduced)	119,760	16,638
Claims Paid	<u>(73,785)</u>	<u>(23,871)</u>
Ending Claims Liability	<u>\$ 95,884</u>	<u>\$ 49,909</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 2015, 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	Special Revenue Fund	\$ 2,909

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

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	Debt Service	Other Governmental	Totals
Property Tax Collections	\$ 6,753,101	\$ 3,244,113	\$ -	\$ 9,997,214
Investment Income	33,355	11,241	854	45,450
Tuition and Fees	45,896	-	-	45,896
Food Service Income	-	-	532,814	532,814
Gifts and Bequests	-	-	530	530
Cocurricular/Extracurricular Activities	70,877	-	-	70,877
Rent Income	18,700	-	-	18,700
Services to Other Districts	138,225	-	-	138,225
Other	13,190	-	186,719	199,909
Totals	\$ 7,073,344	\$ 3,255,354	\$ 720,917	\$ 11,049,615

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	Debt Service	Other Governmental	Totals
Due from Other Governments	\$ 546,095	\$ -	\$ 213,183	\$ 759,278
Property Taxes Receivable	162,720	70,067	-	232,787
Less: Allowance for Uncollectible				
Property Taxes	(8,136)	(3,503)	-	(11,639)
Interest Receivable	-	-	44	44
Totals	\$ 700,679	\$ 66,564	\$ 213,227	\$ 980,470

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:			
Instruction	\$ 11,555,638	\$ 11,728,221	\$ 172,583
Curriculum and Staff Development	117,664	120,688	3,024
Debt Service Fund:			
Debt Service	5,234,377	5,364,145	129,768

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

N. Subsequent Events

The District's management has evaluated subsequent events through November 12, 2015, 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 settleup 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.

	<u>Available</u>	<u>Foundation</u>	<u>IFA</u>	<u>EDA</u>
CY Summary of Finances (SOF)	\$ 651,199	\$ 14,029,539	\$ 630,135	\$ 1,145,686
August Instructional Days Change	(1,622)	135,172	-	-
Prior Period Settle-ups	-	3,838	-	-
Financial Statement Earnings	<u>\$ 649,577</u>	<u>\$ 14,168,549</u>	<u>\$ 630,135</u>	<u>\$ 1,145,686</u>
Financial Statement Classifications:				
SOF Receivable (Overpayment) *	\$ -	\$ (213,645)	\$ (44,287)	\$ (91,408)
August Instructional Days Receivable	16,332	529,763	-	-

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

P. Change in Accounting Principles

The District implemented the following Governmental Accounting Standard Board Statements during the year. The provisions impact the financial reporting for the District. Statement 68, *Accounting and Financial Reporting for Pensions*, created new reporting for pension information including the requirement to reflect pension liabilities in the government with financial statements including proportional shares for cost sharing arrangements. Statement 71, *Pension Transition for Contribution Made Subsequent to the Measurement Date*, resolved issues arising from the implementation of Statement 68.

Q. Restatements

Restatements consist of prior period adjustments in the government wide financial statements as a result of the recording of net pension liability in accordance with GASB Statement 68 and 71. The beginning net position was restated to reflect a decrease of \$ 1,940,444.

REQUIRED SUPPLEMENTARY INFORMATION

ANNA INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
5700	\$ 6,950,923	\$ 6,950,923	\$ 7,073,344	\$ 122,421
5800	14,428,179	15,128,179	15,745,471	617,292
5900	200,000	200,000	249,279	49,279
5020 Total Revenues	\$ 21,579,102	\$ 22,279,102	\$ 23,068,094	\$ 788,992
EXPENDITURES				
Instruction and Instructional Related Services:				
0011	\$ 10,064,620	\$ 11,555,638	\$ 11,728,221	\$ (172,583)
0012	248,106	368,038	299,534	68,504
0013	117,664	117,664	120,688	(3,024)
	<u>\$ 10,430,390</u>	<u>\$ 12,041,340</u>	<u>\$ 12,148,443</u>	<u>\$ (107,103)</u>
Instructional and School Leadership:				
0021	\$ 166,333	\$ 211,333	\$ 191,379	\$ 19,954
0023	2,275,824	1,400,376	1,394,153	6,223
	<u>\$ 2,442,157</u>	<u>\$ 1,611,709</u>	<u>\$ 1,585,532</u>	<u>\$ 26,177</u>
Support Services - Student (Pupil):				
0031	\$ 357,198	\$ 371,523	\$ 364,565	\$ 6,958
0033	265,785	276,660	275,439	1,221
0034	909,136	1,604,036	1,414,117	189,919
0036	494,917	719,367	709,390	9,977
	<u>\$ 2,027,036</u>	<u>\$ 2,971,586</u>	<u>\$ 2,763,511</u>	<u>\$ 208,075</u>
Administrative Support Services:				
0041	\$ 2,807,870	\$ 1,111,810	\$ 1,025,522	\$ 86,288
	<u>\$ 2,807,870</u>	<u>\$ 1,111,810</u>	<u>\$ 1,025,522</u>	<u>\$ 86,288</u>
Support Services - Nonstudent Based:				
0051	\$ 2,803,253	\$ 3,033,253	\$ 3,015,568	\$ 17,685
0052	99,500	209,500	144,706	64,794
0053	728,896	848,896	845,236	3,660
	<u>\$ 3,631,649</u>	<u>\$ 4,091,649</u>	<u>\$ 4,005,510</u>	<u>\$ 86,139</u>
Debt Service:				
0071	\$ 220,000	\$ 219,256	\$ 203,233	\$ 16,023
0072	10,000	10,744	7,600	3,144
	<u>\$ 230,000</u>	<u>\$ 230,000</u>	<u>\$ 210,833</u>	<u>\$ 19,167</u>
Capital Outlay:				
0081	\$ -	\$ 850,000	\$ 707,761	\$ 142,239
	<u>\$ -</u>	<u>\$ 850,000</u>	<u>\$ 707,761</u>	<u>\$ 142,239</u>
Education Programs				
0095	\$ 10,000	\$ 15,000	\$ 13,435	\$ 1,565
0099	-	6,008	3,933	2,075
	<u>\$ 10,000</u>	<u>\$ 21,008</u>	<u>\$ 17,368</u>	<u>\$ 3,640</u>
6030 Total Expenditures	\$ 21,579,102	\$ 22,929,102	\$ 22,464,480	\$ 464,622
1100	\$ -	\$ (650,000)	\$ 603,614	\$ 1,253,614
1200 Net Change in Fund Balance	\$ -	\$ (650,000)	\$ 603,614	\$ 1,253,614
0100	6,035,344	6,035,344	6,035,344	-
3000 Fund Balance - Ending (August 31)	\$ 6,035,344	\$ 5,385,344	\$ 6,638,958	\$ 1,253,614

ANNA INDEPENDENT SCHOOL DISTRICT
 SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 YEAR ENDED AUGUST 31, 2015

	2015
District's proportion of the net pension liability	0.0064117%
District's proportionate share of the net pension liability	\$ 1,712,653
State's proportionate share of the net pension liability associated with the District	7,678,140
 Total	 \$ 9,390,793
 District's covered-employee payroll (for Measurement Year)	 \$ 12,981,815
 District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	 13.19%
 Plan fiduciary net position as a percentage of the total pension liability	 83.25%

Note: Only one year of data is presented in accordance with GASB Statement 68, paragraph 138.

ANNA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2015

	2015
Contractually required contributions	\$ 404,223
Contributions in relations to the contractual required contributions	(404,223)
Contribution deficiency (excess)	\$ -
District's covered employee payroll	\$ 15,052,120
Contributions as a percentage of covered employee payroll	2.69%

Note: Only one year of data is presented in accordance with GASB Statement 68, paragraph 138.

GASB Statement 68, paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 to August 31, 2014.

ANNA INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2015

A. Changes of Assumptions

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

B. Changes of Benefit Terms

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

OTHER SUPPLEMENTARY INFORMATION

ANNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2015

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2014	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2015
		Maintenance	2 Debt Service							
XXXX	2006 and Prior Years	Various	Various	Various	\$ 37,494	\$ -	\$ 2,105	\$ 520	\$ (3,509)	\$ 31,360
2006	2007	1.330360	0.441040	408,479,548	7,636	-	476	158	-	7,002
2007	2008	1.010050	0.471430	481,315,227	7,554	-	360	168	-	7,026
2008	2009	1.040050	0.500000	525,093,885	9,987	-	1,499	721	2	7,769
2009	2010	1.040050	0.500000	510,322,117	9,256	-	319	154	278	9,061
2010	2011	1.040000	0.500000	503,954,679	10,050	-	757	364	105	9,034
2011	2012	1.040000	0.500000	492,532,013	13,435	-	1,021	491	(47)	11,876
2012	2013	1.040000	0.500000	506,216,299	32,463	-	6,614	3,180	(143)	22,526
2013	2014	1.040000	0.500000	557,470,288	104,912	-	38,067	18,302	(9,643)	38,900
2014	2015	1.040000	0.500000	643,402,062	-	9,908,392	6,644,505	3,194,469	20,556	89,974
1000	TOTALS				\$ 232,787	\$ 9,908,392	\$ 6,695,723	\$ 3,218,527	\$ 7,599	\$ 234,528

ANNA INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 560,000	\$ 620,000	\$ 532,814	\$ (87,186)
5800	State Program Revenues	6,000	6,000	38,185	32,185
5900	Federal Program Revenues	550,000	550,000	732,388	182,388
5020	Total Revenues	\$ 1,116,000	\$ 1,176,000	\$ 1,303,387	\$ 127,387
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	\$ 1,116,000	\$ 1,326,000	\$ 1,280,745	\$ 45,255
	Total Support Services - Student (Pupil)	\$ 1,116,000	\$ 1,326,000	\$ 1,280,745	\$ 45,255
6030	Total Expenditures	\$ 1,116,000	\$ 1,326,000	\$ 1,280,745	\$ 45,255
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (150,000)	\$ 22,642	\$ 172,642
1200	Net Change in Fund Balance	\$ -	\$ (150,000)	\$ 22,642	\$ 172,642
0100	Fund Balance - Beginning (September 1)	339,958	339,958	339,958	-
3000	Fund Balance - Ending (August 31)	\$ 339,958	\$ 189,958	\$ 362,600	\$ 172,642

ANNA INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 3,076,435	\$ 3,076,435	\$ 3,255,354	\$ 178,919
5800	State Program Revenues	1,557,122	1,557,122	1,775,821	218,699
5020	Total Revenues	\$ 4,633,557	\$ 4,633,557	\$ 5,031,175	\$ 397,618
EXPENDITURES					
Debt Service:					
0071	Principal on Long-term Debt	\$ 1,585,000	\$ 1,585,000	\$ 1,635,000	\$ (50,000)
0072	Interest on Long-term Debt	3,639,377	3,639,377	3,557,915	81,462
0073	Debt Issuance Costs and Fees	10,000	10,000	171,230	(161,230)
	Total Debt Service	<u>\$ 5,234,377</u>	<u>\$ 5,234,377</u>	<u>\$ 5,364,145</u>	<u>\$ (129,768)</u>
6030	Total Expenditures	\$ 5,234,377	\$ 5,234,377	\$ 5,364,145	\$ (129,768)
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ (600,820)	\$ (600,820)	\$ (332,970)	\$ 267,850
OTHER FINANCING SOURCES (USES)					
7911	Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ -	\$ 8,870,000	\$ 8,870,000
7915	Transfers In	-	600,820	-	(600,820)
7916	Premium or Discount on Issuance of Bonds	-	-	1,073,970	1,073,970
8949	Other Uses	-	-	(9,781,065)	(9,781,065)
7080	Net Other Financing Sources (Uses)	\$ -	\$ 600,820	\$ 162,905	\$ (437,915)
1200	Net Change in Fund Balance	\$ (600,820)	\$ -	\$ (170,065)	\$ (170,065)
0100	Fund Balance - Beginning (September 1)	519,055	519,055	519,055	-
3000	Fund Balance - Ending (August 31)	\$ (81,765)	\$ 519,055	\$ 348,990	\$ (170,065)

ANNA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2015

<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 nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 7,540,363
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 1,712,653
SF13	Pension Expense (6147) at fiscal year-end.	\$ 158,305

FEDERAL AWARDS SECTION

ANNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2015

(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	\$ 4,426
IDEA - B Formula *	84.027	156600010439026600	385,007
IDEA - B Formula *	84.027	166600010439026600	1,620
IDEA - B Preschool *	84.173	156610010439026610	<u>2,144</u>
Total Passed through the Texas Education Agency			<u>\$ 393,197</u>
Passed through the Education Service Center, Region X:			
ESEA Title I Part A - Improving Basic Programs	84.010	15610101057950	\$ 228,531
ESEA Title I Part A - Improving Basic Programs	84.010	16610101057950	12,192
Career and Technical - Carl Perkins Grant	84.048	15420006057950	18,235
Title III Part A - LEP	84.365	15615002057950	24,092
ESEA Title II Part A - Teacher & Principal Training	84.367	15694501057950	<u>19,174</u>
Total Passed through the Education Service Center, Region X:			<u>\$ 302,224</u>
Total Department of Education			<u>\$ 695,421</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program	10.553	00600	\$ 148,233
National School Lunch Program	10.555	00600	528,140
USDA Food Distribution	10.550	043902A	<u>56,015</u>
Total Department of Agriculture			<u>\$ 732,388</u>
Total Expenditures of Federal Awards			<u>\$ 1,427,809</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, 2015

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)	\$	1,427,809
E-Rate Rebate		98,668
School Health and Related Services		<u>150,611</u>
Federal Revenue (Exhibit C-3)	\$	<u>1,677,088</u>