

ACADEMY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015**

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CERTIFICATE OF BOARD

Academy Independent School District
Name of School District

Bell
County

014-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2015 at a meeting of the Board of Trustees of such school district on the 20th day of January, 2016.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is(are):
(attach list as necessary)



Cunningham, Shavers, Christensen & Wright, L.L.P.

Certified Public Accountants

Fred R. Shavers III, C.P.A.
Paul J. Christensen, C.P.A.
Danny R. Wright, C.P.A.
Nathaniel J. Pringle, C.P.A.
Thomas C. Cunningham, C.P.A.
Partner Emeritus

MEMBERS:

- AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Trustees
Academy Independent School District
704 East Main Street
Little River-Academy, Texas 76554-9801

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 Academy Independent School 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. 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 statement. 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 Academy Independent School District as of August 31, 2015 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I to the financial statements, in 2015, the District adopted new accounting guidance prescribed by GASB #68 for its pension plan a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. Because GASB #68 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements. Exhibit A-1 discloses the District's Net Pension Liability and some deferred resource outflows and deferred resource inflows related to the District's pension plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of content 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 Academy Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 and J-2. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2016, on our consideration of the Academy Independent School 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 Academy Independent School District's internal control over financial reporting and compliance.

Waco, Texas
January 15, 2016

ACADEMY INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Academy Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2015. Please read it in conjunction with the independent auditors' report on pages 4 and 5, and the District's Basic Financial Statements which begin on page 12.

Financial Highlights

- The District's net position increased by \$1,048,707 as a result of this year's operations.
- Due to the implementation of Governmental Accounting Standards Board (GASB) statement 68 in the fiscal year 2015, prior net position decreased by \$908,106.
- During the year, the District had expenses that were \$10,364,068 compared to \$11,412,775 generated in tax and other revenues from governmental programs. This compares to last year when revenues were greater than expenses by \$492,287.
- Total cost of all of the District's programs increased by \$403,365 in the government funds or about 3%.
- The General Fund ended the year with a fund balance of \$2,973,352.
- The resources available for appropriation were \$261,878 more than budgeted for the General Fund.
- The District spent about \$520,564 out of the general fund for capital assets.
- The District spent about 11.85 million out of the Capital Project Fund on ongoing construction.

Using This Report

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (pages 12 and 13 respectively). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 14) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

**ACADEMY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 12. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

The Statement of Net Position and the Statement of Activities reflects only governmental activities.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

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

**ACADEMY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activity programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page 18. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Analysis

The District implemented GASB Statement #34 in fiscal year 2002. We will present both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental activities.

Net assets of the District's governmental activities increased from \$7,226,230 to \$7,366,831. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$2,383,162 at August 31, 2015.

**Table I
Academy Independent School District**

Net Position

	Governmental Activities 2015	Governmental Activities 2014	Variance
Current and other assets	\$ 7,112,351	\$18,175,590	\$(11,069,791)
Capital assets	<u>24,009,645</u>	<u>12,178,101</u>	<u>11,831,544</u>
Total assets	31,121,996	30,353,691	761,753
Deferred outflows related to TRS	234,611	-0-	234,611
Long-term liabilities	22,724,773	22,170,806	553,967
Other liabilities	<u>1,019,821</u>	<u>956,655</u>	<u>56,614</u>
Total liabilities	23,744,594	23,127,461	610,581
Deferred inflows related to TRS	245,182	-0-	245,182
Net Position:			
Invested in capital assets net of related debt	1,488,150	4,102,000	(2,613,850)
Restricted	3,495,519	607,412	2,888,107
Unrestricted	<u>2,383,162</u>	<u>2,516,818</u>	<u>(133,656)</u>
Total net position	\$ <u>7,366,831</u>	\$ <u>7,226,230</u>	\$ <u>140,601</u>

**ACADEMY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

**Table II
Academy Independent School District**

Changes in Net Position

	Governmental Activities 2015	Governmental Activities 2014	Variance
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,149,177	\$ 1,101,211	\$ 47,966
Operating grants and contributions	1,066,788	1,012,531	54,257
General Revenues:			
Maintenance and operations taxes	3,109,208	2,806,318	302,890
Debt service taxes	1,316,078	1,350,290	(34,212)
State aid - formula grants	6,896,326	6,305,018	591,308
Grants and Contributions not restricted to specific functions	2,626	-0-	2,626
Investment Earnings	30,312	38,431	(8,119)
Miscellaneous	<u>58,225</u>	<u>55,156</u>	<u>3,069</u>
Total Revenues	<u>13,628,740</u>	<u>12,668,955</u>	<u>959,785</u>
Expenses:			
Instruction	6,618,087	6,239,318	378,769
Instructional Resources & Media Services	292,716	277,275	15,441
Curriculum & Staff Development	119,660	123,643	(3,983)
School Leadership	719,169	642,905	76,264
Guidance, Counseling & Evaluation Services	264,749	315,572	(50,823)
Health Services	48,541	48,895	(354)
Student (Pupil) Transportation	448,892	375,108	73,784
Food Services	552,241	522,505	29,736
Cocurricular/Extracurricular Activities	591,872	522,108	69,764
General Administration	527,444	498,522	28,922
Plant Maintenance and Operations	1,254,206	1,175,247	78,959
Security & Monitoring Service	11,844	13,604	(1,760)
Community Service	453	229	224
Debt Service	848,611	1,169,524	(320,913)
Payments to Fiscal Agent/Member Districts	<u>281,548</u>	<u>252,213</u>	<u>29,335</u>
Total Expenses	<u>12,580,033</u>	<u>12,176,668</u>	<u>403,365</u>
Changes in Net Position	1,048,707	492,287	556,420
Net Assets at Beginning of Year	7,226,230	6,722,614	503,616
Prior Period Adjustment	<u>(908,106)</u>	<u>11,329</u>	<u>(919,435)</u>
Net Position at End of Year	<u>\$7,366,831</u>	<u>\$7,226,230</u>	<u>\$ 140,601</u>

The District's total revenues reflected an increase of \$959,785 which is an increase of approximately 7.6% from the previous year. The total cost of all programs and services reflected an increase of \$403,765 which is an increase of approximately 3.3% from the previous year. Most of the increase in revenue is due to the increase in tax values and tax rates and an increase in state aid.

**ACADEMY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

The District took the following actions this year to compensate for increases in cost and avoid the loss of state revenue.

- The assessed/appraised value of property within the District for school tax purposes, increased by approximately 27 million or 10 percent over the previous year. This increase in value and decrease in tax rates contributed to a tax levy of about \$245,595 more than the year ended August 31, 2014.
- Do to increase in enrollment funding from the state increased.

The cost of all governmental activities in the changes in net position this year was \$12,580,033 compared to \$12,176,668 the previous year. However, as shown in Table II, the amount that our taxpayers ultimately financed for these activities through the local tax increase by \$268,678.

The District's Funds

As the District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$6,616,601.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances. The second category includes changes that the Council made during the year to take into account additional expenses not originally budgeted. The third category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

Capital Asset and Debt Administration

Capital Assets

As of August 31, 2015, the District had \$24,009,645, net of depreciation, invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

This year's major additions included:

Construction in Progress	\$12,082,864
Building Improvements	<u>159,535</u>
	<u>\$12,242,399</u>

Debt

As of August 31, 2015, the district had long term liabilities which total \$21,923,271. This is a decrease of \$247,515 in long term liabilities from August 31, 2014.

Economic Factors and Next Year's Budgets and Rates

The tax rate for 15-16 is 1.3533, which is 1.04 for M & O and .3133 for Debt Services. This is a reduction from the prior year rate of 1.4816. State revenue is supposed to increase for the current enrollment. Enrollment continues to rise.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Academy Independent School District at 704 East Main Street, Little River-Academy, Texas 76554-9801 (254)982-4304.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data	Primary Government
Control Codes	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 6,231,233
1220 Property Taxes Receivable (Delinquent)	92,686
1230 Allowance for Uncollectible Taxes	(18,533)
1240 Due from Other Governments	795,092
1267 Due from Fiduciary Funds	1,642
1290 Other Receivables, net	10,231
Capital Assets:	
1510 Land	497,060
1520 Buildings, Net	8,256,592
1530 Furniture and Equipment, Net	177,857
1540 Vehicles, Net	315,845
1560 Library Books and Media, Net	113,410
1580 Construction in Progress	14,648,881
1000 Total Assets	31,121,996
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	234,611
1700 Total Deferred Outflows of Resources	234,611
LIABILITIES	
2110 Accounts Payable	32,147
2160 Accrued Wages Payable	367,148
2180 Due to Other Governments	2,724
2200 Accrued Expenses	7,518
2300 Unearned Revenue	12,060
Noncurrent Liabilities	
2501 Due Within One Year	598,224
2502 Due in More Than One Year	21,923,271
2540 Net Pension Liability (District's Share)	801,502
2000 Total Liabilities	23,744,594
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	245,182
2600 Total Deferred Inflows of Resources	245,182
NET POSITION	
3200 Net Investment in Capital Assets	1,488,150
3820 Restricted for Federal and State Programs	10,172
3850 Restricted for Debt Service	649,074
3860 Restricted for Capital Projects	2,836,273
3900 Unrestricted	2,383,162
3000 Total Net Position	\$ 7,366,831

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

ACADEMY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 6,618,087	\$ 760,590	\$ 518,035	\$ (5,339,462)
12 Instructional Resources and Media Services	292,716	-	16,279	(276,437)
13 Curriculum and Staff Development	119,660	-	5,360	(114,300)
23 School Leadership	719,169	96,952	40,433	(581,784)
31 Guidance, Counseling and Evaluation Services	264,749	4,040	62,339	(198,370)
33 Health Services	48,541	-	2,777	(45,764)
34 Student (Pupil) Transportation	448,892	-	11,921	(436,971)
35 Food Services	552,241	218,411	346,012	12,182
36 Extracurricular Activities	591,872	32,827	13,672	(545,373)
41 General Administration	527,444	-	18,181	(509,263)
51 Facilities Maintenance and Operations	1,254,206	36,357	31,326	(1,186,523)
52 Security and Monitoring Services	11,844	-	-	(11,844)
61 Community Services	453	-	453	-
72 Debt Service - Interest on Long Term Debt	825,361	-	-	(825,361)
73 Debt Service - Bond Issuance Cost and Fees	23,250	-	-	(23,250)
93 Payments related to Shared Services Arrangements	281,548	-	-	(281,548)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 12,580,033	\$ 1,149,177	\$ 1,066,788	(10,364,068)

Data
Control
Codes

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes	3,109,208
DT	Property Taxes, Levied for Debt Service	1,316,078
SF	State Aid - Formula Grants	6,896,326
GC	Grants and Contributions not Restricted	2,626
IE	Investment Earnings	30,312
MI	Miscellaneous Local and Intermediate Revenue	58,225
TR	Total General Revenues	11,412,775
CN	Change in Net Position	1,048,707
NB	Net Position - Beginning	7,226,230
PA	Prior Period Adjustment	(908,106)
NE	Net Position--Ending	\$ 7,366,831

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

ACADEMY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS					
1110 Cash and Cash Equivalents	\$ 2,274,692	\$ 664,756	\$ 3,017,873	\$ 273,912	\$ 6,231,233
1220 Property Taxes - Delinquent	70,391	22,295	-	-	92,686
1230 Allowance for Uncollectible Taxes (Credit)	(14,074)	(4,459)	-	-	(18,533)
1240 Receivables from Other Governments	674,826	-	-	120,266	795,092
1260 Due from Other Funds	385,148	3,000	-	3,552	391,700
1290 Other Receivables	7,207	3,024	-	-	10,231
1000 Total Assets	\$ 3,398,190	\$ 688,616	\$ 3,017,873	\$ 397,730	\$ 7,502,409
LIABILITIES					
2110 Accounts Payable	\$ 20,489	\$ -	\$ -	\$ 11,658	\$ 32,147
2160 Accrued Wages Payable	340,053	-	-	27,095	367,148
2170 Due to Other Funds	1,755	21,706	181,600	184,997	390,058
2180 Due to Other Governments	-	-	-	2,724	2,724
2200 Accrued Expenditures	6,224	-	-	1,294	7,518
2300 Unearned Revenues	-	-	-	12,060	12,060
2000 Total Liabilities	368,521	21,706	181,600	239,828	811,655
DEFERRED INFLOWS OF RESOURCES					
2601 Unavailable Revenue - Property Taxes	56,317	17,836	-	-	74,153
2600 Total Deferred Inflows of Resources	56,317	17,836	-	-	74,153
FUND BALANCES					
Restricted Fund Balance:					
3450 Federal or State Funds Grant Restriction	-	-	-	10,172	10,172
3470 Capital Acquisition and Contractural Obligation	-	-	2,836,273	-	2,836,273
3480 Retirement of Long-Term Debt	-	649,074	-	-	649,074
3600 Unassigned Fund Balance	2,973,352	-	-	147,730	3,121,082
3000 Total Fund Balances	2,973,352	649,074	2,836,273	157,902	6,616,601
4000 Total Liabilities, Deferred Inflows & Fund Balances	\$ 3,398,190	\$ 688,616	\$ 3,017,873	\$ 397,730	\$ 7,502,409

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

ACADEMY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2015

Total Fund Balances - Governmental Funds	\$ 6,616,601
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$23,993,599 and the accumulated depreciation was (\$11,815,498). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.	(10,525,830)
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase net position.	12,511,546
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of 801,502, a Deferred Resource Inflow related to TRS in the amount of \$245,182 and a Deferred Resource Outflow related to TRS in the amount of \$234,611. This amounted to a decrease in Net Position in the amount of \$812,073	(812,073)
4 The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(571,882)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	148,469
19 Net Position of Governmental Activities	\$ 7,366,831

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

ACADEMY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:					
5700 Total Local and Intermediate Sources	\$ 3,694,761	\$ 1,334,664	\$ 23,206	\$ 622,853	\$ 5,675,484
5800 State Program Revenues	7,192,463	141,974	-	175,888	7,510,325
5900 Federal Program Revenues	-	-	-	455,415	455,415
5020 Total Revenues	10,887,224	1,476,638	23,206	1,254,156	13,641,224
EXPENDITURES:					
Current:					
0011 Instruction	5,928,231	-	-	500,516	6,428,747
0012 Instructional Resources and Media Services	282,044	-	-	-	282,044
0013 Curriculum and Instructional Staff Development	116,455	-	-	-	116,455
0023 School Leadership	597,182	-	-	96,168	693,350
0031 Guidance, Counseling and Evaluation Services	202,682	-	-	52,767	255,449
0033 Health Services	46,731	-	-	-	46,731
0034 Student (Pupil) Transportation	419,338	-	-	-	419,338
0035 Food Services	-	-	-	570,658	570,658
0036 Extracurricular Activities	527,360	-	-	-	527,360
0041 General Administration	507,933	-	-	-	507,933
0051 Facilities Maintenance and Operations	1,125,510	-	-	38,934	1,164,444
0052 Security and Monitoring Services	11,844	-	-	-	11,844
0061 Community Services	-	-	-	453	453
Debt Service:					
0071 Principal on Long Term Debt	63,120	470,000	-	-	533,120
0072 Interest on Long Term Debt	3,427	896,250	-	-	899,677
0073 Bond Issuance Cost and Fees	22,250	1,000	-	-	23,250
Capital Outlay:					
0081 Facilities Acquisition and Construction	498,897	-	11,853,748	-	12,352,645
Intergovernmental:					
0093 Payments to Fiscal Agent/Member Districts of SSA	281,548	-	-	-	281,548
6030 Total Expenditures	10,634,552	1,367,250	11,853,748	1,259,496	25,115,046
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	252,672	109,388	(11,830,542)	(5,340)	(11,473,822)
OTHER FINANCING SOURCES (USES):					
7914 Non-Current Loans	425,000	-	-	-	425,000
1200 Net Change in Fund Balances	677,672	109,388	(11,830,542)	(5,340)	(11,048,822)
0100 Fund Balance - September 1 (Beginning)	2,295,680	539,686	14,666,815	163,242	17,665,423
3000 Fund Balance - August 31 (Ending)	\$ 2,973,352	\$ 649,074	\$ 2,836,273	\$ 157,902	\$ 6,616,601

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

ACADEMY INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ (11,048,822)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to increase net position.	12,511,546
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(571,882)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	61,832
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2014 caused the change in the ending net position to increase in the amount of \$170,117. Contributions made before the measurement but during the 2015 FY were also de-expended and recorded as a reduction in the net pension liability for the District. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded as an expense. The net pension expense decreased the change in net position by \$74,084.. The result of these amounts is to increase the change in net position by \$96,033.	96,033
Change in Net Position of Governmental Activities	\$ 1,048,707

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

ACADEMY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2015

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 14,615	\$ 53,873
Total Assets	<u>14,615</u>	<u><u>53,873</u></u>
LIABILITIES		
Due to Other Funds	-	\$ 1,642
Due to Student Groups	-	52,231
Total Liabilities	<u>-</u>	<u><u>53,873</u></u>
NET POSITION		
Restricted for Scholarships	<u>14,615</u>	
Total Net Position	<u><u>\$ 14,615</u></u>	

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

ACADEMY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

	Private Purpose Trust Fund
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 8,722
Total Additions	<u>8,722</u>
DEDUCTIONS:	
Other Operating Costs	<u>9,000</u>
Total Deductions	<u>9,000</u>
Change in Net Position	(278)
 Total Net Position - September 1 (Beginning)	 <u>14,893</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 14,615</u></u>

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

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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

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

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

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

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Fund** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. **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.
2. **Permanent Funds** – The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Proprietary Funds:

3. **Enterprise Funds** – The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has no non-major enterprise funds.
4. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District has no Internal Service Fund.

Fiduciary Funds:

5. **Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is a scholarship fund.
6. **Pension (and Other Employee Benefit) Trust Funds** – These funds are used to account for local pension and other employee benefit funds that are provided by the District in lieu of or in addition to the Teacher Retirement System of Texas. The District has no Pension Trust Funds.
7. **Investment Trust Fund** - This fund is one in which the District holds assets in trust for other entities participating in an investment program managed by the district. The District has no Investment Trust Funds.
8. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are student activity accounts.

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. Food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and expenditures are charged, and revenue is recognized for an equal amount when received.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or.

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

4. Employees are allowed to accrue five days of state personal leave each year without limit. State personal leave does not vest under the District's policy and accordingly, employees can only utilize state personal leave when sick, or state personal leave for personal reasons when approved by their supervisor. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the basic financial statements.

Teachers and administrative personnel do not receive paid vacations but are paid only for the number of days they are required to work each year.

In the event of termination, an employee is reimbursed for any unused accumulated vacation leave. The District has no liability for unused vacation pay since all vacation leave is used or paid if not taken each year. Vacation pay is charged to operations when taken by the employees of the District.

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

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

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

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

<u>Assets</u>	<u>Years</u>
Buildings	39
Building Improvements	20
Vehicles	7
Office Equipment	7
Computer Equipment	7

6. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
7. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
8. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.
9. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year may vary until the time when final values for all factors in the state aid formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate for the year ended August 31, 2015 will change.

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Capital Assets at the Beginning of the Year	Historic Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Change in Net Assets
Land	\$ 497,060	\$ -0-	\$ 497,060	
Buildings and Improvements	16,304,089	7,738,856	8,565,233	
Furniture and Equipment	3,018,612	2,911,392	107,220	
Vehicles	1,494,411	1,165,250	329,161	
Books and Media	113,410	-0-	113,410	
Construction in Progress	<u>2,566,017</u>	<u>-0-</u>	<u>2,566,017</u>	
Change in Net Assets				<u>\$12,178,101</u>
Long-term Liabilities at the Beginning of the Year			Payable at the Beginning of the Year	
Bonds Payable			\$21,770,000	
Premium on Bonds Sold			837,587	
Capital Leases Payable			<u>96,344</u>	
Change in Net Assets				<u>(22,703,931)</u>
Net Adjustment to Net Assets				<u>\$(10,525,830)</u>

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

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

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current Year Capital Outlay</u>			
Buildings and Improvements	\$ 159,535	\$ -0-	\$ -0-
Furniture & Equipment	96,855	-0-	-0-
Vehicles	64,172	-0-	-0-
Construction in Progress	<u>12,082,864</u>	<u>-0-</u>	<u>-0-</u>
Total Capital Outlay	<u>12,403,426</u>	<u>12,403,426</u>	<u>12,403,426</u>
 <u>Debt Principal Payments</u>			
Bond Principal	470,000	-0-	-0-
Loan Payment	<u>63,120</u>	<u>-0-</u>	<u>-0-</u>
	<u>533,120</u>	<u>533,120</u>	<u>533,120</u>
 <u>New Financing</u>			
Loan	<u>425,000</u>	<u>-0-</u>	<u>-0-</u>
Total Capital Items	<u>425,000</u>	<u>(425,000)</u>	<u>(425,000)</u>
Total Adjustment to Net Position			<u>\$12,511,546</u>

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

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$63,368	\$ (63,368)	\$ -0-
Uncollected taxes(assumed collectible) from Current Year Levy	40,470	40,470	40,470
Uncollected Taxes (assumed collectible) from Prior Year Levy	33,683	-0-	33,683
Difference between Prior Years Estimated Delinquent Taxes Collectable and Actual Collection Rate	10,314	10,314	-0-
 <u>Amortization of Bonds Premium</u>			
Amortization	<u>74,316</u>	<u>74,316</u>	<u>74,316</u>
Total		<u>\$ 61,732</u>	<u>\$ 148,469</u>

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1, the Debt Service Funds report appears in Exhibit G-2, the Capital Project Funds report appears in Exhibit G-3, and the Food Service Fund Budget report appears in Exhibit J-2.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

August 31, 2015
Fund Balance

Appropriated Budget Funds – Special Revenue Fund 459	\$ <u>147,730</u>
Appropriated Budget Funds – Food Service Fund	\$ <u>10,172</u>

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended August 31, 2015, expenditures exceeded appropriations in a few functions. The negative variance in no way reflects a breakdown in control by management.

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in foreign currency.

District Policies and Legal and Contractual Provisions Governing Investments

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

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Academy Independent School District is in substantial compliance with the Act and with local policy.

As of August 31, 2015, Academy Independent School District had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Certificates of Deposit	\$ 544,016	\$ 544,016	\$-0-	\$-0-	\$-0-
TexPool	652,281	652,281	-0-	-0-	-0-
TexStar	<u>3,763,002</u>	<u>3,763,002</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$4,959,299</u>	<u>\$4,959,299</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>

Additional policies and contractual provisions governing deposits and investments for Academy Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in Certificates of Deposit or investment pools.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires the investments to have a maturity of less than one year.

Foreign Currency Risk for Investments The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign currency.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Allowance for uncollectible tax receivables within the General Fund is based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND RECEIVABLES AND PAYABLE

Interfund balances at August 31, 2015 consisted of the following individual fund balances:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
Trust and Agency Fund	\$ 1,643	\$ -0-
Debt Service Fund	21,706	-0-
Special Revenue Fund	180,199	1,755
Capital Projects Fund	<u>181,600</u>	<u>-0-</u>
	<u>385,148</u>	<u>1,755</u>
Special Revenue Funds:		
General Fund	1,755	180,199
Special Revenue Fund	1,797	1,797
Debt Service Fund	<u>-0-</u>	<u>3,000</u>
	<u>3,552</u>	<u>184,996</u>
Debt Service Fund:		
Special Revenue Fund	-0-	21,706
General Fund	<u>3,000</u>	<u>-0-</u>
	<u>3,000</u>	<u>21,706</u>
Capital Project Fund:		
General Fund	<u>-0-</u>	<u>181,600</u>
Trust and Agency Fund:		
General Fund	<u>-0-</u>	<u>1,643</u>
TOTAL	<u>\$391,700</u>	<u>\$391,700</u>

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued) YEAR ENDED AUGUST 31, 2015

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2015 was as follows:

	Primary Government				
	Balance 09/01/14	Additions	Retirements	Reclassifications	Balance 08/31/15
Governmental Activities:					
Land	\$ 497,060	\$ -0-	\$ -0-	\$ -0-	\$ 497,060
Buildings and Improvements	16,304,089	159,535	-0-	-0-	16,463,624
Furniture and Equipment	3,018,612	96,855	-0-	-0-	3,115,467
Vehicles	1,494,411	64,172	-0-	-0-	1,558,583
Construction in Progress	2,566,017	12,082,864	-0-	-0-	14,648,881
Books and Media	113,410	-0-	-0-	-0-	113,410
Totals at Historic Cost	<u>23,993,599</u>	<u>12,403,426</u>	<u>-0-</u>	<u>-0-</u>	<u>36,397,025</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(7,738,856)	(468,176)	-0-	-0-	(8,207,032)
Furniture and Equipment	(2,911,392)	(26,218)	-0-	-0-	(2,937,610)
Vehicles	(1,165,250)	(77,488)	-0-	-0-	(1,242,738)
Total Accumulated Depreciation	<u>(11,815,498)</u>	<u>(571,882)</u>	<u>-0-</u>	<u>-0-</u>	<u>(12,387,380)</u>
Governmental Activities Capital Assets, Net	<u>\$12,178,101</u>	<u>\$ 11,831,544</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$24,009,645</u>

Depreciation expense was charged to governmental functions
as follows:

Instruction	\$280,350
Instructional Resources & Media Services	12,756
Curriculum and Instructional Staff Development	5,292
School Leadership	33,952
Guidance, Counseling & Evaluation Services	12,633
Health Services	2,212
Student (Pupil) Transportation	85,875
Food Services	15,689
Cocurricular/Extracurricular Activities	68,072
General Administration	23,861
Plant Maintenance and Operations	<u>31,190</u>

Total Depreciation Expense \$571,882

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

F. BONDS PAYABLE

A summary of changes in bonds payable for the year ended August 31, 2015 is as follows:

<u>DESCRIPTION</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Interest Current Year</u>	<u>Payable Amounts Outstanding 09/01/14</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 08/31/15</u>
Unlimited Tax Refunding							
Bonds							
Series 2012	2-3%	\$ 5,279,998	\$ 141,700	\$ 5,030,000	\$ -0-	\$ 300,000	\$ 4,730,000
Unlimited Tax School Building							
Bonds							
Series 2013	2-5%	<u>16,985,000</u>	<u>754,550</u>	<u>16,740,000</u>	<u>-0-</u>	<u>170,000</u>	<u>16,570,000</u>
Total			<u>\$896,250</u>	<u>\$21,770,000</u>	<u>\$ -0-</u>	<u>\$ 470,000</u>	<u>\$21,300,000</u>

Debt service requirements for bonds payable are as follows:

<u>Year Ended August 31,</u>	<u>General Obligations</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2016	\$ 485,000	\$ 886,850	\$ 1,371,850
2017	565,000	875,350	1,440,350
2018	655,000	861,550	1,516,550
2019	675,000	841,900	1,516,900
2020	695,000	818,200	1,513,200
2021-2025	3,855,000	3,717,825	7,572,825
2026-2030	4,555,000	3,018,700	7,573,700
2031-2035	5,685,000	1,883,375	7,568,375
2026-2040	<u>4,130,000</u>	<u>419,750</u>	<u>4,549,750</u>
Total	<u>\$21,300,000</u>	<u>\$13,323,500</u>	<u>\$34,623,500</u>

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

G. CAPITAL LEASE AND LOAN

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

SCHEDULE OF CAPITAL LEASES AND LOAN

Date of Issue	Purpose	Interest Rate Payable	Interest Current Year	Amounts Outstanding 09/01/14	Issued	Retired	Amounts Outstanding 08/31/15
2/14/14	Bus	3.660%	\$ 2,389	\$65,269	\$ -0-	\$32,045	\$ 33,224
	Bus	3.500%	1,088	31,075	-0-	31,075	-0-
2/21/15	Tax Notes	1.56%	-0-	-0-	425,000	-0-	425,000
			<u>\$3,477</u>	<u>\$96,344</u>	<u>\$425,000</u>	<u>\$63,120</u>	<u>\$458,224</u>

Year Ended August 31,	Principal	Interest	Total Requirements
2016	\$113,224	\$9,320	\$ 122,544
2017	85,000	4,719	89,719
2018	85,000	3,393	88,393
2019	85,000	2,067	87,067
2020	<u>90,000</u>	<u>702</u>	<u>90,702</u>
	<u>\$ 458,224</u>	<u>\$20,201</u>	<u>\$478,425</u>

H. ACCUMULATED SICK LEAVE AND PERSONAL DAYS

Upon retirement, the District pays accumulated sick leave and personal days obtained while at the District. The employee must have served 10 consecutive years in the District, be in good standing and retiring through TRS. The District will reimburse for a maximum of 40 days at the employees daily rate with a maximum payout of \$9,000.

Possible Retiree Benefit	<u>\$128,020</u>
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I. DEFINED BENEFIT PENSION PLAN

Plan Description. Academy Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

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, 2015.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$159,496,075,866
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%

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

Contribution Rates

	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Academy ISD 2014 Employer Contributions	\$ 76,073	
Academy ISD 2014 Member Contributions	\$430,797	
Academy ISD 2014 NECE On-Behalf Contributions	\$385,674	

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public 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 source or a privately sponsored source.

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.

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

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry
Age Normal	
Amortization Method of Payroll, Open	Level Percentage
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market
Value	
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%
*Includes Inflation of 3%	

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

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best- estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
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 Edge 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%
Sable Value Hedge Funds	4%	4.2%	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	<u>0%</u>		<u>1.0%</u>
Total	<u>100%</u>		<u>8.7%</u>

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	<u>1% Decrease in Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase in Discount Rate (9.0%)</u>
Academy's proportionate share of the net pension liability:	\$1,432,236	\$801,502	\$329,831

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, Academy Independent School District reported a liability of \$801,502 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Academy Independent School District. The amount recognized by Academy Independent School 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 Academy Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 801,502
State's proportionate share that is associated with the District	<u>4,071,557</u>
Total	<u>\$4,873,059</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 employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was .003006%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2015 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

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

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the measurement period August 31, 2014, Academy Independent School District recognized pension expense of \$376,408 and revenue of \$376,408 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$12,395	\$ -0-
Changes in actuarial assumptions	52,099	-0-
Difference between projected and actual investment earnings	-0-	244,972
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>-0-</u>	<u>210</u>
Total	<u>\$64,494</u>	<u>\$245,182</u>

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

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

Year ended August 31:	Pension Expense Amount
2015	\$(50,398)
2016	\$(50,398)
2017	\$(50,398)
2018	\$(50,398)
2019	\$ 10,845
Thereafter	\$ 10,059

At August 31, 2015, the District reported Deferred Resource Outflows and Deferred Resource Inflows for the TRS pension plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Total net amounts as of August 31, 2014 Measurement Date	\$ 64,494	\$245,182
Contributions made subsequent to the Measurement Date	<u>170,117</u>	<u>-0-</u>
Total	<u>\$234,611</u>	<u>\$245,182</u>

J. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description. – The Academy Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS–Care), a cost–sharing multiple–employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS–Care 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 Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS–Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1–800–223–8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

Funding Policy. – Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage.

K. HEALTH CARE COVERAGE

During the year ended August 31, 2015, employees of Academy Independent School District were covered by a health insurance plan (the “Plan”). The District paid premiums of \$225 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between Academy Independent School District and the licensed insurer is renewable annually and terms of coverage and premium costs are included in the contractual provisions.

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

L. DEFERRED INFLOW OF REVENUE

Deferred inflow of revenue at August 31, 2015 consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Unavailable Revenue-Property Taxes	\$ <u>56,317</u>	\$ <u>17,836</u>	\$ <u>-0-</u>	\$ <u>74,153</u>

M. UNEARNED REVENUE

Unearned revenue at August 31, 2015 consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Food Service	\$ -0-	\$ -0-	\$ 11,533	\$ 11,533
Advance Placement Awards	<u>-0-</u>	<u>-0-</u>	<u>527</u>	<u>527</u>
Total Inflow of Revenue	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>12,060</u>	\$ <u>12,060</u>

N. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2015, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>FUND</u>	<u>STATE ENTITLEMENTS</u>	<u>FEDERAL GRANTS</u>	<u>TOTAL</u>
General Fund	\$ 674,826	\$ -0-	\$ 674,826
Special Revenue	<u>100,266</u>	<u>20,000</u>	<u>120,266</u>
	\$ <u>775,092</u>	\$ <u>20,000</u>	\$ <u>795,092</u>

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Capital</u> <u>Project</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Total</u>
Property Taxes	\$3,115,410	\$1,322,224	\$ -0-	\$ -0-	\$4,437,634
Penalties, Interest and Other					
Tax-related Income	27,640	10,670	-0-	-0-	38,310
Investment Income	4,861	1,770	23,206	475	30,312
Tuition and Fees	59,845	-0-	-0-	-0-	59,845
Food Sales	-0-	-0-	-0-	218,411	218,411
Co-curricular Student Activities	32,827	-0-	-0-	-0-	32,827
Shared Service Arrangements	284,956	-0-	-0-	403,967	688,923
Insurance Recovery	20,051		-0-	-0-	20,051
Other	<u>149,171</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>149,171</u>
Total	<u>\$3,694,761</u>	<u>\$1,334,664</u>	<u>\$23,206</u>	<u>\$622,853</u>	<u>\$5,675,484</u>

P. PARTICIPATION IN PUBLIC ENTITY RISK POOL

Workers' Compensation Aggregate Deductible

During the year ended August 31, 2015 Academy Independent School District met its statutory workers' compensation obligations 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 Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

Academy Independent School District participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims liability.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2014, the Fund carries a discounted reserve of \$56,905,750 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2015 the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each 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 on the TASB Risk Management Fund website and have

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

Auto, Liability, and/or Property Programs

During the year ended August 31, 2015, Academy Independent School District participated in the following TASB Risk Management Fund (the Fund) programs:

Auto Liability

Auto Physical Damage

General Liability Legal Liability Property

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2015, the Fund anticipates that Academy Independent School District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each 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 on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Unemployment Compensation Pool

During the year ended August 31, 2015 Academy Independent School 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 monthly 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 the Unemployment Compensation pool. For the year ended August 31, 2015 the Fund anticipates that Academy Independent School District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each 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 on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

Q. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2015 were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:				
General Fund	\$56,317	\$674,826	\$ 7,207	\$738,350
Debt Service Fund	17,836	-0-	3,024	20,860
Nonmajor Governmental Activities	<u>-0-</u>	<u>120,266</u>	<u>-0-</u>	<u>120,266</u>
Total Deferred Revenue	<u>\$74,153</u>	<u>\$795,092</u>	<u>\$ 10,231</u>	<u>\$879,476</u>

Amounts not scheduled for collection during the subsequent year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
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Payables at August 31, 2015 were as follows:

	<u>Accounts Payable</u>	<u>Salaries And Benefits</u>	<u>Due to Other Governments</u>	<u>Accrued Expenditures</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$ 20,489	\$ 340,053	\$ -0-	\$ 6,224	\$366,766
Nonmajor Governmental Activities	<u>-0-</u>	<u>27,095</u>	<u>2,724</u>	<u>1,294</u>	<u>31,113</u>
Totals Governmental Activities	<u>\$ 20,489</u>	<u>\$ 367,148</u>	<u>\$ 2,724</u>	<u>\$ 7,518</u>	<u>\$397,879</u>

Amounts not scheduled for payment during the subsequent year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
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R. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Accrued Interest at 08/31/15</u>	<u>Unamortized Bond Premium at 08/31/15</u>
Governmental Activities:							
Bonds and Notes Payable:							
Unlimited Tax School Building Bonds, Series 2003	\$16,740,000	\$ -0-	\$170,000	\$16,570,000	\$180,000	\$-0-	\$434,937
Unlimited Tax Refunding Bonds, Series 2012	5,030,000	-0-	300,000	4,730,000	305,000	-0-	328,333
Maintenance Tax Notes Series 2015		425,000	-0-	425,000	80,000	-0-	-0-
Capital Leases	<u>96,344</u>	<u>-0-</u>	<u>63,120</u>	<u>33,224</u>	<u>33,224</u>	<u>-0-</u>	<u>-0-</u>
Total Government Activities Long-Term Liabilities	<u>\$21,866,344</u>	<u>\$425,000</u>	<u>\$533,120</u>	<u>\$21,758,224</u>	<u>\$598,224</u>	<u>\$-0-</u>	<u>\$763,270</u>

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

S. DEFINED BENEFIT PENSION PLAN

Medicare Part D – On-behalf Payments. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments of \$29,188, \$17,538, and \$24,295 were recognized for the year ended August 31, 2015, 2014, and 2013, as equal revenues and expenditures. Also for August 31, 2012, \$16,708 of ERRP was recognized as equal revenue and expenditure.

T. FUND BALANCE NOTE

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

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

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

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

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2015

U. DEFEASED DEBT

On March 29, 2012, Academy Independent School District issued Unlimited Tax Refunding Bonds – Series 2012 of \$5,279,998 to advance refund \$5,280,000 of School Bonds – Series 2003. The proceeds from the issuance of the bonds generated \$5,719,331. The net proceeds from the issuance of the bonds were deposited in an irrevocable trust with an escrow agent to provide debt service payments. The issuance cost and underwriters discount were \$121,191. The defeased debt resulted in a reduction of the cash flow requirement over the life of the bonds of \$604,538. The advance refunding met the requirements of an in-substance debt-defeasance and the term bonds were removed from the School General Long-Term Debt Account Group.

V. CONSTRUCTION COMMITMENTS

The District has three major construction projects going on at the present time. At August 31, 2015 they still had commitments to Vanguard Construction, LP of \$2,300,000. There will be other expenses that will be paid out of the Construction Fund as the project proceeds and all of the proceeds will be spent.

W. PRIOR PERIOD ADJUSTMENTS

During fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teacher Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is \$ (908,106). The restated beginning net position is \$6,318,124.

REQUIRED SUPPLEMENTARY INFORMATION

ACADEMY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,530,159	\$ 4,168,123	\$ 3,694,761	\$ (473,362)
5800 State Program Revenues	5,924,176	6,457,223	7,192,463	735,240
5020 Total Revenues	9,454,335	10,625,346	10,887,224	261,878
EXPENDITURES:				
Current:				
0011 Instruction	5,529,218	5,926,623	5,928,231	(1,608)
0012 Instructional Resources and Media Services	266,962	282,233	282,044	189
0013 Curriculum and Instructional Staff Development	104,571	116,456	116,455	1
0023 School Leadership	546,746	597,183	597,182	1
0031 Guidance, Counseling and Evaluation Services	193,322	202,723	202,682	41
0033 Health Services	46,200	46,777	46,731	46
0034 Student (Pupil) Transportation	248,292	454,157	419,338	34,819
0036 Extracurricular Activities	462,620	527,467	527,360	107
0041 General Administration	466,537	508,035	507,933	102
0051 Facilities Maintenance and Operations	1,042,069	1,126,299	1,125,510	789
0052 Security and Monitoring Services	13,100	11,910	11,844	66
Debt Service:				
0071 Principal on Long Term Debt	144,000	64,000	63,120	880
0072 Interest on Long Term Debt	3,475	3,475	3,427	48
0073 Bond Issuance Cost and Fees	-	-	22,250	(22,250)
Capital Outlay:				
0081 Facilities Acquisition and Construction	125,000	893,310	498,897	394,413
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	254,073	281,549	281,548	1
6030 Total Expenditures	9,446,185	11,042,197	10,634,552	407,645
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	8,150	(416,851)	252,672	669,523
OTHER FINANCING SOURCES (USES):				
7914 Non-Current Loans	-	425,000	425,000	-
1200 Net Change in Fund Balances	8,150	8,149	677,672	669,523
0100 Fund Balance - September 1 (Beginning)	2,295,680	2,295,680	2,295,680	-
3000 Fund Balance - August 31 (Ending)	\$ 2,303,830	\$ 2,303,829	\$ 2,973,352	\$ 669,523

ACADEMY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,500,906	\$ 1,500,906	\$ 1,334,664	\$ (166,242)
5800 State Program Revenues	-	-	141,974	141,974
5020 Total Revenues	1,500,906	1,500,906	1,476,638	(24,268)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	470,000	470,000	470,000	-
0072 Interest on Long Term Debt	896,250	896,250	896,250	-
0073 Bond Issuance Cost and Fees	-	-	1,000	(1,000)
6030 Total Expenditures	1,366,250	1,366,250	1,367,250	(1,000)
1200 Net Change in Fund Balances	134,656	134,656	109,388	(25,268)
0100 Fund Balance - September 1 (Beginning)	539,686	539,686	539,686	-
3000 Fund Balance - August 31 (Ending)	\$ 674,342	\$ 674,342	\$ 649,074	\$ (25,268)

ACADEMY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT G-3

Data Control Codes	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 23,206	\$ 23,206
5020 Total Revenues	-	-	23,206	23,206
EXPENDITURES:				
Capital Outlay:				
0081 Facilities Acquisition and Construction	14,803,991	14,803,991	11,853,748	2,950,243
6030 Total Expenditures	14,803,991	14,803,991	11,853,748	2,950,243
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,803,991)	(14,803,991)	(11,830,542)	2,973,449
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	14,803,991	14,803,991	-	(14,803,991)
7080 Total Other Financing Sources (Uses)	14,803,991	14,803,991	-	(14,803,991)
1200 Change in Fund Balance	-	-	(11,830,542)	(11,830,542)
0100 Fund Balance - September 1 (Beginning)	14,666,815	14,666,815	14,666,815	-
3000 Fund Balance - August 31 (Ending)	\$ 14,666,815	\$ 14,666,815	\$ 2,836,273	\$ (11,830,542)

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

EXHIBIT G-4

	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0030006%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 801,502
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	4,071,557
Total	<u>\$ 4,873,059</u>
District's Covered-Employee Payroll	\$ 6,731,201
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	11.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

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

EXHIBIT G-5

	<u>2015</u>
Contractually Required Contribution	\$ 170,117
Contribution in Relation to the Contractually Required Contribution	170,117
Contribution Deficiency (Excess)	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 6,974,243
Contributions as a Percentage of Covered-Employee Payroll	2.44%

Note: GASB 68, Paragraph 81 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 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2015

Changes of benefit terms.

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

Changes of assumptions.

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

COMBINING SCHEDULES

ACADEMY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes		211	240	255	331
		ESEA I, A Improving Basic Program	National Breakfast and Lunch Program	ESEA II, A Training and Recruiting	SSA - Career & Technical - Basic Grant
ASSETS					
1110	Cash and Cash Equivalents	\$ 73,894	\$ 33,861	\$ 4,511	\$ -
1240	Receivables from Other Governments	6,317	9,188	1,432	3,063
1260	Due from Other Funds	1,926	300	-	-
1000	Total Assets	<u>\$ 82,137</u>	<u>\$ 43,349</u>	<u>\$ 5,943</u>	<u>\$ 3,063</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 11,658	\$ -	\$ -
2160	Accrued Wages Payable	5,760	8,232	1,304	2,790
2170	Due to Other Funds	74,686	-	4,511	-
2180	Due to Other Governments	1,134	1,590	-	-
2200	Accrued Expenditures	557	164	128	273
2300	Unearned Revenues	-	11,533	-	-
2000	Total Liabilities	<u>82,137</u>	<u>33,177</u>	<u>5,943</u>	<u>3,063</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	10,172	-	-
3600	Unassigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>10,172</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 82,137</u>	<u>\$ 43,349</u>	<u>\$ 5,943</u>	<u>\$ 3,063</u>

	397	410	429	459	Total
	Advanced Placement Incentives	State Textbook Fund	Other State Special Revenue Funds	Other SSA Special Revenue Funds	Nonmajor Governmental Funds
	\$ -	\$ -	\$ 527	\$ 161,119	\$ 273,912
	-	100,266	-	-	120,266
	-	-	-	1,326	3,552
	<u>\$ -</u>	<u>\$ 100,266</u>	<u>\$ 527</u>	<u>\$ 162,445</u>	<u>\$ 397,730</u>
	\$ -	\$ -	\$ -	\$ -	\$ 11,658
	-	-	-	9,009	27,095
	-	100,266	-	5,534	184,997
	-	-	-	-	2,724
	-	-	-	172	1,294
	-	-	527	-	12,060
	<u>-</u>	<u>100,266</u>	<u>527</u>	<u>14,715</u>	<u>239,828</u>
	-	-	-	-	10,172
	-	-	-	147,730	147,730
	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,730</u>	<u>157,902</u>
	<u>\$ -</u>	<u>\$ 100,266</u>	<u>\$ 527</u>	<u>\$ 162,445</u>	<u>\$ 397,730</u>

ACADEMY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		211	240	255	331
		ESEA I, A Improving Basic Program	National Breakfast and Lunch Program	ESEA II, A Training and Recruiting	SSA - Career & Technical - Basic Grant
	REVENUES:				
5700	Total Local and Intermediate Sources	\$ 105	\$ 218,411	\$ -	\$ -
5800	State Program Revenues	-	15,363	-	2,504
5900	Federal Program Revenues	67,697	318,315	22,641	46,152
5020	Total Revenues	67,802	552,089	22,641	48,656
	EXPENDITURES:				
	Current:				
0011	Instruction	67,349	-	22,641	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	48,656
0035	Food Services	-	570,658	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0061	Community Services	453	-	-	-
6030	Total Expenditures	67,802	570,658	22,641	48,656
1200	Net Change in Fund Balance	-	(18,569)	-	-
0100	Fund Balance - September 1 (Beginning)	-	28,741	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 10,172	\$ -	\$ -

397	410	429	459	Total
Advanced Placement Incentives	State Textbook Fund	Other State Special Revenue Funds	Other SSA Special Revenue Funds	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 404,337	\$ 622,853
-	140,139	-	17,882	175,888
610	-	-	-	455,415
610	140,139	-	422,219	1,254,156
610	140,139	-	269,777	500,516
-	-	-	96,168	96,168
-	-	-	4,111	52,767
-	-	-	-	570,658
-	-	-	38,934	38,934
-	-	-	-	453
610	140,139	-	408,990	1,259,496
-	-	-	13,229	(5,340)
-	-	-	134,501	163,242
\$ -	\$ -	\$ -	\$ 147,730	\$ 157,902

REQUIRED TEA SCHEDULES

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

Last 10 Years Ended August 31		(1)	(2)	(3)		(10)	(20)	(31)	(32)	(40)	(50)
		Tax Rates		Assessed/Appraised Value for School Tax Purposes		Beginning Balance 9/1/2014	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/2015
		Maintenance	Debt Service								
2006	and prior years	Various	Various	\$	Various	\$ 11,705	\$ -	\$ -	\$ -	\$ (166)	\$ 11,539
2007		1.369000	0.120000		162,701,873	1,688	-	63	5	-	1,620
2008		1.039400	0.120000		176,753,643	1,199	-	49	6	-	1,144
2009		1.040000	0.117300		202,393,885	1,867	-	62	7	-	1,798
2010		1.040000	0.117300		221,950,213	2,283	-	219	25	-	2,039
2011		1.040000	0.134000		231,713,731	3,104	-	848	109	-	2,147
2012		1.040000	0.134000		245,195,341	6,231	-	1,877	242	-	4,112
2013		1.040000	0.122800		265,011,279	11,826	-	6,435	760	(245)	4,386
2014		1.040000	0.500000		272,314,038	68,388	-	35,563	17,098	(2,413)	13,314
2015	(School year under audit)	1.040000	0.441600		299,610,899	-	4,439,318	3,070,386	1,304,016	(14,329)	50,587
1000	TOTALS					\$ 108,291	\$ 4,439,318	\$ 3,115,502	\$ 1,322,268	\$ (17,153)	\$ 92,686

ACADEMY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 218,411	\$ 218,411
5800 State Program Revenues	-	12,334	15,363	3,029
5900 Federal Program Revenues	495,000	495,000	318,315	(176,685)
5020 Total Revenues	495,000	507,334	552,089	44,755
EXPENDITURES:				
0035 Food Services	494,707	536,155	570,658	(34,503)
6030 Total Expenditures	494,707	536,155	570,658	(34,503)
1200 Net Change in Fund Balances	293	(28,821)	(18,569)	10,252
0100 Fund Balance - September 1 (Beginning)	28,741	28,741	28,741	-
3000 Fund Balance - August 31 (Ending)	\$ 29,034	\$ (81)	\$ 10,172	\$ 10,253

FEDERAL AWARDS SECTION



Cunningham, Shavers, Christensen & Wright, L.L.P.

Certified Public Accountants

Fred R. Shavers III, C.P.A.
Paul J. Christensen, C.P.A.
Danny R. Wright, C.P.A.
Nathaniel J. Pringle, C.P.A.
Thomas C. Cunningham, C.P.A.
Partner Emeritus

MEMBERS:

- AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

***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***

Board of Trustees
Academy Independent School District
704 East Main Street
Little River-Academy, Texas 76554-9801

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 Academy Independent School District, as of and for the year ended August 31, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Academy Independent School 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 Academy Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 Academy Independent School 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs.

Response to Findings

Academy Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questions costs. Academy Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Waco, Texas
January 15, 2016

ACADEMY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

I. Summary of the Auditor's Results:

- a. The type of report issued on the basic financial statements of the Academy Independent School District was an unmodified opinion.
- b. There were no significant deficiencies in internal control disclosed by the audit of the basic financial statements.
- c. Noncompliance disclosed by the audit of the basic financial statements were:
 - (1) When comparing actual expenses to the budget, it was noted that several functions exceeded the budget. This was mainly due reclassification of expenses between function.
- d. There were no significant deficiencies in internal control over major programs disclosed by the audit of the basic financial statements.
- e. The type of report on compliance with major programs was an unqualified opinion.
- f. There were no material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program disclosed by the audit of the basic financial statements
- g. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- h. The District qualified as a low-risk auditee.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with Government Auditing Standards.

- | | |
|----------------------|--|
| 1. Condition: | We identified instances in which the expenses exceed the budget approval. |
| Criteria: | Budgets are approved by the board and are the approved amounts that the administration may spend without asking to amend the amount. |
| Cause: | Expenses were not properly amended in the Child Nutrition Program. |
| Effect: | The budget was not amended to reflect the actual expenses in the Child Nutrition Program. |
| Recommendation: | Funds should be examined to determine if expenses exceed funds available and move excess cost to proper fund before year end. |
| Management Response: | We will examine funds for excess cost and make adjustments where needed. |

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f. above.

None

ACADEMY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2015

<u>Findings/Noncompliance</u>	<u>Status of Prior Year's Finding/Noncompliance</u>
Over claimed breakfast claims	Claims accurately reported
Under spent Career and Technology allotment	Adequate funds spent
Cash was not secured	Cash was secured

ACADEMY INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2015

<u>Findings/Noncompliance</u>	<u>Corrective Action Plan</u>
Expenses exceeded budget amounts.	The District will better monitor expenses in the various funds to make sure excess expenses are moved and budgeted for. Especially in the Food Service Fund.

Contact Person(s):
Kevin Sprinkles, Superintendent
Academy Independent School District

SCHOOLS FIRST QUESTIONNAIRE

Academy Independent School District

Fiscal Year 2015

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?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	
SF11	Net Pension Assets (1920) at fiscal year-end.	
SF12	Net Pension Liabilities (2540) at fiscal year-end.	801502
SF13	Pension Expense (6147) at fiscal year-end.	74084