



ACADEMY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2022

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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, 2022, at a meeting of the Board of Trustees of such school district on the 18th day of January 2023.

Jennifer Burnett
Signature of Board Secretary

[Signature]
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)

Paul J. Christensen & Associates, LLC

Certified Public Accountants

2110 Austin Avenue
Waco, Texas 76701
(254)752-3436
FAX (254)752-3463
<http://www.waco-cpa.com>

Paul J. Christensen, C.P.A.
Gary L. Sauls, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Academy Independent School District
Little River-Academy, Texas

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise Academy Independent School District's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Academy Independent School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Academy Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Academy Independent School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB information on pages 7-11 and 52-59 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Academy Independent School District's basic financial statements. The combining statements, required TEA schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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 statements, required TEA schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2023, on our consideration of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Academy Independent School District's 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.

Paul J. Christensen & Associates, LLC



Waco, Texas
January 18, 2023

ACADEMY INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Academy Independent School District's annual financial report provides our overview of the District's financial performance for the fiscal year ended August 31, 2022. Please read it in conjunction with the District's financial statements, which begin on page 13.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4,901,258 (*net position*). Of this amount, a deficit of \$4,091,404 (unrestricted net position) may be used to meet the District's ongoing obligations to students and creditors.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$49,406,774, which is a decrease of \$5,176,435 in comparison with the prior year. This change is primarily a result of the spending of bond proceeds received in the previous year towards the construction of a new high school.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,372,304 or 27% of total General Funds expenditures, a decrease of \$728,085 from the prior year. The committed fund balance of \$66,003 reflects the net resources and obligations related to ongoing construction projects at the end of the current fiscal year.

Using This Annual 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 13 and 14 respectively). These provide information about the activities of the District as a whole and present a long-term view of the District's property and 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 15) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. The remaining statements – the 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 government.

The notes to the financial statements (starting on page 21) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The combining statements for non-major funds contain even more information about the District's individual funds. The sections labeled Required TEA 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.

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 10. 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, deferred outflows/inflows of resources at the end of the year while the Statement of Activities includes all the revenue and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The District's revenue is 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 revenue), and revenue 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, deferred outflows/inflows of resources 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, non-financial factors should be considered 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.

In the Statement of Net Position and the Statement of Activities, the District reports one activity:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 15 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 ESEA Title I from the U.S. Department of Education. The District's administration establishes other funds to help it control and manage money for particular purposes (such as campus activities).

The District has one type of fund as follows:

Governmental funds – All of the District's services are reported in governmental funds. These use the 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 services it provides. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are provided in reconciliation schedules following each of the governmental fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in a separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. 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 following analysis presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table I) and the change in net position (Table II) of the District's governmental activities.

Table I
Academy Independent School District
Net Position

	Governmental Activities 2022	Governmental Activities 2021
ASSETS		
Current and other assets	\$ 50,740,852	\$ 55,984,963
Capital assets, net	29,034,792	25,141,234
Total assets	79,775,644	81,126,197
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	1,450,274	1,540,916
Deferred outflows related to TRS	1,760,036	1,726,202
Deferred outflows related to TRS OPEB	1,988,639	1,459,734
Total Deferred Outflows of Resources	5,198,949	4,726,852
LIABILITIES		
Long-term liabilities	71,733,546	75,109,541
Other liabilities	2,831,729	2,580,599
Total liabilities	74,565,275	77,690,140
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to TRS	2,344,008	747,484
Deferred inflows related to TRS OPEB	3,164,052	3,066,150
Total Deferred Inflows of Resources	5,508,060	3,813,634
NET POSITION:		
Invested in capital assets, net of related debt	6,650,960	5,199,859
Restricted	2,341,702	2,079,823
Unrestricted	(4,091,404)	(2,930,407)
Total net position	4,901,258	4,349,275
	<u>\$ 84,974,593</u>	<u>\$ 85,853,049</u>

Table II
Academy Independent School District
Change in Net Position

	Governmental Activities 2022	Governmental Activities 2021
Revenues:		
Program Revenues:		
Charges for services	\$ 478,019	\$ 587,884
Operating grants and contributions	2,193,794	3,060,339
General Revenues:		
Property taxes	8,584,292	6,705,992
State aid - formula grants	8,970,543	10,956,487
Investment earnings	245,434	8,818
Miscellaneous	120,915	106,146
Total Revenue	<u>20,592,997</u>	<u>21,425,666</u>
Expenses:		
Instruction	10,186,561	10,951,041
Instructional resources and media services	191,136	240,263
Curriculum and instructional staff development	574,131	434,423
School leadership	1,207,058	1,251,448
Guidance, counseling and evaluation services	399,863	495,963
Social work services	2,582	-
Health services	232,165	227,322
Student (pupil) transportation	711,041	736,963
Food services	898,547	793,541
Extracurricular activities	891,144	724,609
General administration	764,591	753,253
Facilities maintenance and operations	2,014,665	1,895,482
Security and monitoring services	98,502	96,943
Data processing services	117,821	184,547
Community services	49,779	-
Debt service	1,634,546	752,110
Bond issuance costs and fees	648	516,488
Facilities acquisition and construction	22,602	-
Payments to fiscal agent/member district of SSA	60,178	460,212
Total Expenses	<u>20,057,560</u>	<u>20,514,608</u>
Change in net position	535,437	911,058
Net position - beginning	4,365,821	3,454,760
Prior Period Adjustments	-	(16,543)
Net position - end	<u>\$ 4,901,258</u>	<u>\$ 4,349,275</u>

Analysis

The District's total revenues decreased from \$21,425,666 to \$20,592,997 a decrease of \$832,669. State aid – formula grants decreased by \$1,985,944. Property taxes increased by \$1,878,300 due to an increase in the appraised value of property within the school district and an increase in the I&S rate. Federal program revenue increased by \$645,997 due to an increase in the breakfast and lunch programs of \$259,110, an increase in Elementary and Secondary School Emergency Relief Funds (ESSER) of \$645,137, and a decrease in IDEA B, formula funds of \$246,840.

The District's total expenses decreased by \$457,048 from \$20,514,608 to \$20,057,560.

The District's Funds

As the District completed the year, its governmental funds (as presented in the balance sheet on page 15 – 16) reported a combined fund balance of \$49,406,774 which is less than last year's total of \$54,583,205. This year's operations resulted in a decrease of fund balance of \$5,176,431.

Over the course of the year, the Board of Trustees revised the budget as needed.

The District's General Fund balance of \$4,438,307 reported in exhibit G-1 differs from the General Fund's budgetary fund balance of \$4,637,410 reported in the budgetary comparison schedule within this report. This is principally due to actual revenues being less than budgeted revenues and actual expenditures being less than budgeted expenditures.

Capital Asset and Debt Administration

Capital Assets

At the end of 2022, the District had \$29,034,483 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:

New School – CIP	\$4,126,815
Buildings & Improvements	712,009
Equipment	172,566
Vehicles	356,513

Debt

At year-end, the District had long-term debt obligations of \$66,686,403.

Economic Factors and Next Year's Budgets and Rates

For the 2022-2023 school year, the District will strive to maintain all programs without significant changes. The District continues to be aware of and plan for coming legislative changes to state funding in order to be successful in maintaining their educational programs, meeting increased state guidelines and maintaining adequate fund balance reserves.

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 704 East Main Street Little River-Academy, TX 76554-9801 – (254) 982-4304.

BASIC FINANCIAL STATEMENTS

ACADEMY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2022

EXHIBIT A-1

		1 Primary Government	
Data Control Codes		Governmental Activities	
ASSETS			
1110	Cash and cash equivalents	\$	50,287,125
1220	Property taxes - delinquent		166,884
1240	Due from other governments		256,083
1267	Due from fiduciary funds		2,183
1290	Other receivables (net)		28,577
	Capital Assets:		
1510	Land		1,648,225
1520	Buildings and Improvements, net		21,736,053
1530	Furniture and Equipment, net		757,369
1540	Vehicles, net		652,611
1560	Library Books and Media, net		113,410
1580	Construction in Progress		4,126,815
1900	Other Assets		309
1000	Total assets		<u>79,775,644</u>
DEFERRED OUTFLOWS OF RESOURCES			
1701	Deferred charge for refunding		1,450,274
1705	Deferred outflows related to TRS		1,760,036
1706	Deferred outflows related to TRS OPEB		1,988,639
1700	Total deferred outflows of resources		<u>5,198,949</u>
LIABILITIES			
2110	Accounts payable		64,616
2140	Interest payable		113,532
2160	Accrued Wages Payable		769,999
2165	Accrued liabilities		67,431
2180	Due to other governments		1,134
2200	Accrued Expenditures or expenses		19,986
2300	Deferred revenue		311,769
	Noncurrent liabilities:		
2501	Due within one year		1,483,262
2502	Due in more than one year		65,203,141
2540	Net Pension Liability (District's Share)		1,981,422
2545	Net OPEB Liability (District's Share)		4,548,983
2000	Total liabilities		<u>74,565,275</u>
DEFERRED INFLOWS OF RESOURCES			
2605	Deferred inflows related to TRS		2,344,008
2606	Deferred inflows related to TRS OPEB		3,164,052
2600	Total deferred inflows of resources		<u>5,508,060</u>
NET POSITION			
3200	Invested in capital assets, net of related debt		6,650,960
	Restricted for:		
3820	Federal and state programs		179,444
3850	Debt service		2,162,258
3900	Unrestricted		(4,091,404)
3000	Total net position	\$	<u>4,901,258</u>

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, 2022

EXHIBIT B-1

Data Control Codes		1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	
					6 Primary Gov. Governmental Activities
	Primary government:				
	Governmental activities:				
11	Instruction	10,186,561	168,899	1,204,550	(8,813,112)
12	Instructional resources and media services	191,136	8,343	2,251	(180,542)
13	Curriculum and staff development	574,131	-	5,964	(568,167)
23	School leadership	1,207,058	85,789	882,932	(238,337)
31	Guidance, counseling, and evaluation services	399,863	6,301	(1,452)	(395,014)
32	Social work services	2,582	-	-	(2,582)
33	Health services	232,165	-	(777)	(232,942)
34	Student transportation	711,041	-	11,556	(699,485)
35	Food Service	898,547	114,354	20,828	(763,365)
36	Extracurricular activities	891,144	69,099	7,752	(814,293)
41	General administration	764,591	-	15,654	(748,937)
51	Facilities maintenance and operations	2,014,665	25,234	43,109	(1,946,322)
52	Security and monitoring services	98,502	-	5,529	(92,973)
53	Data processing services	117,821	-	280	(117,541)
61	Community services	49,779	-	(4,382)	(54,161)
72	Interest on long-term debt	1,634,546	-	-	(1,634,546)
73	Bond Issuance costs and fees	648	-	-	(648)
81	Capital outlay	22,602	-	-	(22,602)
93	Payments related to shared services arrangements	60,178	-	-	(60,178)
TP	Total primary government	\$ 20,057,560	\$ 478,019	\$ 2,193,794	\$ (17,385,747)

Data
Control
Codes

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes	5,494,698
DT	Property Taxes, Levied for Debt Service	3,089,594
SF	State Aid - Formula Grants	8,970,543
IE	Investment Earnings	245,434
MI	Miscellaneous Local and Intermediate Revenue	120,915
TR	Total General Revenues	17,921,184
CN	Change in Net Position	535,437
NB	Net Position - beginning	4,365,821
PA	Prior period adjustment	-
NE	Net Position - ending	\$ 4,901,258

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

ACADEMY INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-1

BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes		10 General Fund	50 Debt Service Fund	98 Other Governmental Funds	Total Governmental Funds
ASSETS					
1110	Cash and cash equivalents	\$ 4,987,280	\$ 2,222,226	\$ 43,077,619	\$ 50,287,125
1220	Property taxes - delinquent	100,643	66,241	-	166,884
1230	Allowance for uncollectible taxes	-	-	-	-
1240	Due from other governments	11,134	5,788	239,161	256,083
1260	Due from other funds	434,303	-	9,165	443,468
1290	Other receivables	661	501	27,415	28,577
1900	Other assets	309	-	-	309
1000	Total Assets	5,534,330	2,294,756	43,353,360	51,182,446
LIABILITIES					
2110	Accounts payable	61,412	-	3,204	64,616
2160	Accrued wages payable	685,690	-	84,309	769,999
2170	Due to other funds	28,595	2,250	410,439	441,284
2180	Due to other governments	-	-	1,134	1,134
2190	Due to Student Activity Funds	-	-	-	-
2200	Accrued expenditures/expenses	14,629	-	5,357	19,986
2300	Unearned revenue	205,054	64,009	42,706	311,769
2000	Total Liabilities	995,380	66,259	547,149	1,608,788
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable revenue - property taxes	100,643	66,241	-	166,884
2600	Total Deferred Inflows of Resources	100,643	66,241	-	166,884
FUND BALANCES					
3450	Restricted - Food Service	-	-	179,445	179,445
3470	Restricted - Capital Projects	-	-	42,349,560	42,349,560
3480	Restricted - Debt Service	-	2,162,256	-	2,162,256
3510	Committed - Construction	66,003	-	4,730	70,733
3545	Committed - Bell Co. Coop	-	-	210,321	210,321
3600	Unassigned	4,372,304	-	62,155	4,434,459
3000	Total Fund Balances	4,438,307	2,162,256	42,806,211	49,406,774
4000	Total Liabilities, Deferred Inflows, and Fund Balances	\$ 5,534,330	\$ 2,294,756	\$ 43,353,360	\$ 51,182,446

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, 2022

EXHIBIT C-1R

Total Fund Balances - Governmental Funds	\$ 49,406,774
<p>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 \$44,747,047 and the accumulated depreciation was (\$19,605,816). In addition, long-term liabilities, including bonds payable, premium, and the loss on refundings, 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 increase net position.</p>	(41,458,427)
<p>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 2021 capital outlays and debt principal payments is to increase net position.</p> <p>Current year bond additions and bond payoffs are revenue in the fund financial statements, but they should be shown as increases or decreases in bonds payable in the government-wide financial statements. The net effect of including the 2021 bond additions and pay-offs is to increase net position.</p>	6,617,903
<p>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. The net position related to TRS included a deferred resource outflow in the amount of \$1,760,036, a deferred resource inflow in the amount of \$2,344,008 and a net pension liability in the amount of \$1,981,422.</p> <p>Also included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$1,988,639, a deferred resource inflow in the amount of \$3,164,052 and a net OPEB liability in the amount of \$4,548,983. The net effect of items related to GASB 68 and GASB 75 for pension and OPEB liabilities was a decrease in net position.</p>	(8,289,790)
<p>4 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.</p>	(1,474,654)
<p>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, and recognizing the liabilities associated with maturing long-term debt and interest and compensated absences. The net effect of these reclassifications and recognitions is to increase net position.</p>	99,452
19 Net Position of Governmental Activities	\$ 4,901,258

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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT C-2

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES					
5700	Local and intermediate sources	\$ 5,647,520	\$ 3,108,978	\$ 652,094	\$ 9,408,592
5800	State program revenues	9,813,310	55,674	170,064	10,039,048
5900	Federal program revenues	1,123	-	2,153,756	2,154,879
5020	Total revenues	15,461,953	3,164,652	2,975,914	21,602,519
EXPENDITURES					
Current:					
0011	Instruction	8,957,647	-	1,234,959	10,192,606
0012	Instructional resources and media services	184,824	-	3,090	187,914
0013	Curriculum and instructional staff development	291,129	-	262,132	553,261
0023	School leadership	1,184,290	-	15,491	1,199,781
0031	Guidance, counseling, and evaluation services	392,387	-	6,998	399,385
0032	Social work services	-	-	2,787	2,787
0033	Health services	223,895	-	5,148	229,043
0034	Student (pupil) transportation	678,176	-	170,493	848,669
0035	Food services	1,142	-	857,836	858,978
0036	Extracurricular activities	893,948	-	55,471	949,419
0041	General administration	723,148	-	11,931	735,079
0051	Facilities maintenance and operations	1,873,402	-	75,897	1,949,299
0052	Security and monitoring services	91,032	-	-	91,032
0053	Data processing services	116,840	-	2,058	118,898
0061	Community services	-	-	54,516	54,516
Debt Service:					
0071	Principal on long-term debt	215,014	1,250,000	-	1,465,014
0072	Interest on long-term debt	27,990	1,826,209	-	1,854,199
0073	Bond issuance costs and fees	-	648	-	648
Capital outlay:					
0081	Facilities acquisition and construction	259,086	-	4,785,705	5,044,791
Intergovernmental:					
0093	Payments to fiscal agent/member district of SSA	60,178	-	-	60,178
6030	Total expenditures	16,174,128	3,076,857	7,544,512	26,795,497
1100	Excess (deficiency) of revenues over expenditures	(712,175)	87,795	(4,568,598)	(5,192,978)
OTHER FINANCING SOURCES (USES) :					
7911	Bond Issued	-	-	-	-
7912	Refunding bonds issued	-	-	-	-
7916	Premium on bonds	-	-	-	-
7914	Non-current loan proceeds	-	-	-	-
7915	Transfers in	-	-	15,574	15,574
8911	Transfer out	(15,574)	-	-	(15,574)
8949	Payment to escrow	-	-	-	-
7080	Total other financing sources and (uses)	(15,574)	-	15,574	-
1200	Net change in fund balances	(727,749)	87,795	(4,553,024)	(5,192,978)
0100	Fund balances--beginning	5,166,056	2,074,461	47,342,692	54,583,209
1300	Prior Period Adjustments	-	-	16,543	16,543
3000	Fund balances--ending	\$ 4,438,307	\$ 2,162,256	\$ 42,806,211	\$ 49,406,774

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, 2022

EXHIBIT C-3

Total Net Change in Fund Balances - Governmental Funds	\$	(5,192,978)
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Bond proceeds are recognized as revenue in the financial statements, but they be shown as increases in long-term debt in the government-wide financial statements. The net effect of removing the 2021 bond revenue is to decrease net postion.

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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 2021 capital outlays and debt principal payments is to increase net position.

6,832,917

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.

(1,474,654)

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, and recognizing the liabilities associated with maturing long-term debt and interest and compensated absences. The net effect of these reclassifications and recognitions is to increase net position.

255,257

114,895

GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$361,351. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$331,622. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense increased the change in net position by \$15,882.

GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$97,805. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$92,128. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$63,607. The net effect for both GASB 68 and GASB 75 related to pension and OPEB expenses is an increase in the change in net position.

Change in Net Position of Governmental Activities

	\$	535,437
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ACADEMY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2022

EXHIBIT E-1

	Scholarship Trust Fund	Student Activity Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ 66,064	\$ 137,146
Total Assets	<u>66,064</u>	<u>137,146</u>
LIABILITIES		
Due to Other Funds	-	2,186
Due to Student Groups	-	146,021
Total Liabilities	<u>-</u>	<u>148,207</u>
NET POSITION		
Restricted for Scholarships	66,064	(11,061)
Total Net Position	<u>\$ 66,064</u>	<u>\$ (11,061)</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, 2022

EXHIBIT E-2

	Scholarship Trust Fund	Student Activity Custodial Fund
ADDITIONS:		
Local and Intermediate Sources	\$ 44,710	\$ 347,771
Total Additions	<u>44,710</u>	<u>347,771</u>
DEDUCTIONS:		
Supplies & Materials	-	358,832
Other Operating Costs	21,700	-
Total Deductions	<u>21,700</u>	<u>358,832</u>
Change in Net Position	23,010	(11,061)
Total Net Position - September 1 (Beginning)	43,054	-
Prior Period Adjustment	-	-
Total Net Position - August 31 (Ending)	<u>\$ 66,064</u>	<u>\$ (11,061)</u>

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

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Academy Independent School District have been prepared in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in GASB Statement No. 76, 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") consists of seven members and has governance responsibilities over all activities related to public elementary and secondary school education within the Academy Independent School District (the "District"). Board members are elected by the public and have 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. These statements report information on all non-fiduciary activities of the District. The effect of the interfund activity in the government-wide statements eliminates services provided and used in the process of consolidation. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges for services by a given function, and 2) grants and contributions, which are restricted to meeting operational requirements of a particular function. Charges for services 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. Grants and contributions 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 revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes and state aid are properly excluded from program revenues and reported as general revenues instead.

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

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental 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
FOR THE YEAR ENDED AUGUST 31, 2022**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as do the 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 revenue 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 are reported using 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).

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collectible within 60 days of the end of the current fiscal period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. However, unmatured interest and principal on long-term debt are recognized only 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.

Revenues from local sources consist primarily of property taxes. Property tax revenue and revenue 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 revenue is recorded as revenue when received in cash because it is generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant revenues and contributions 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.

Fiduciary funds are used to report on assets held in by the District in trust by others. These 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. 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.

Custodial Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities and have no equity. Therefore, revenues and expenditures for these funds are not included for general operations of the district.

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **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 the Debt Service Fund.

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

Governmental Funds:

3. **Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in the capital projects fund.
4. **Special Revenue Fund** – 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.

Fiduciary Funds:

5. **Private Purpose Trust Fund** – 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. **Custodial Fund** – The District accounts for resources held for others in custodial funds. The District’s Custodial Funds are Student Activity Accounts.

E. OTHER ACCOUNTING POLICIES

Food Commodities

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.

Capital Assets

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.

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

E. OTHER ACCOUNTING POLICIES (continued)

Capital Assets (continued)

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

Buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives. See schedule below

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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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.

Compensated Absences

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.

Employees who retire from the District under the requirements of the Texas Teacher Retirement System are reimbursed for the accrued but unused state sick leave and state personal leave accumulated while employed in the District. The rate of payment is the daily rate for the position. 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.

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

E. OTHER ACCOUNTING POLICIES (continued)

Pensions

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

Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District is reporting an item related to TRS which represents the District's share of the unrecognized plan deferred outflow of resources which TRS uses in calculating the ending net position liability and net OPEB liability. The District also reports a deferred charge on refunding, which is the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunded debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of inflow, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also recognizes their share of the unrecognized TRS plan deferred inflows of resources with TRS uses in calculating the ending net pension liability and net OPEB liability.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non-spendable 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.

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

E. OTHER ACCOUNTING POLICIES (continued)

Fund Balance Classification (continued)

Restricted Fund Balance - includes amounts for which constraints have been placed on the use of the resources (a) either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provision of enabling legislation.

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 of Trustees remove or change the specified use by taking the same type of action it employed when the funds were initially committed.

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 of Trustees or by other officials to which the Board of Trustees 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 of Trustees delegates the responsibility to assign funds to the superintendent or his/her designees.

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 funds in the following spending order: Restricted, Committed, Assigned and Unassigned.

Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted – net position is applied.

Program Revenue

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

E. OTHER ACCOUNTING POLICIES (continued)

Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the 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 estimates as of August 31, 2022 will change.

Data Control Codes

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

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

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-1R provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds and long-term liabilities are not reported in the governmental funds. The details of capital assets and long-term liabilities at the beginning of the year were as follows:

Capital Assets at the Beginning of the year	Historic Cost	Accumulated Depreciation	Net Book Value Beg. of Year	Change in Net Position
Land	\$ 1,648,225	\$ -	\$ 1,648,225	
Buildings and improvements	36,388,687	14,218,424	22,170,263	
Furniture and equipment	4,425,130	3,651,332	773,798	
Vehicles	2,171,595	1,736,060	435,535	
Books and media	113,410	-	113,410	
	<u>\$ 44,747,047</u>	<u>\$ 19,605,816</u>	<u>\$ 25,141,231</u>	<u>\$ 25,141,231</u>

Long-term Liabilities at the Beginning of the year	Payable at the Beg. of Year	Change in Net Position
Bonds Payable	\$ 59,704,994	
Premium/Discount on Bonds Sold	7,097,304	
Loans Payable	1,338,276	
Deferred charge on bond refunding	(1,540,916)	
Total Liabilities	<u>\$ 66,599,658</u>	<u>\$ 66,599,658</u>

Net Adjustment to Net Position		<u>\$ (41,458,427)</u>
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**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

**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-3 provides the 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 and long-term debt principal payments are expenditures in the fund financial statements but should be shown as increases in capital assets and reductions in long-term debt in the government-wide statements and this adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

	Amount	Adjustments to Change in Net Position	Adjustments to Net Position
<u>Current Year Capital Outlay:</u>			
Land	\$ -		
Buildings and Improvements	712,009		
Furniture and Equipment	172,566		
Vehicles	356,513		
Construction in Progress	4,126,815		
Total Capital Outlay	<u>\$ 5,367,903</u>	<u>\$ 5,367,903</u>	<u>\$ 5,367,903</u>
<u>Debt Principal Payments</u>			
Loan Payments	\$ 215,014		
Bond Principal	1,250,000		
Total Principal	<u>\$ 1,465,014</u>	<u>\$ 1,465,014</u>	<u>\$ 1,465,014</u>
Total Adjustment to Net Position			<u><u>\$ 6,832,917</u></u>

Another element of the reconciliation on Exhibit C-3 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Change in Net Position	Adjustments to Net Position
<u>Adjustments to Revenue and Deferred Revenue:</u>			
Taxes Collected from Prior Years	\$ 47,387	\$ (47,387)	\$ -
Uncollected taxes (assumed collectible) from Current Year Levy	82,594	82,594	82,594
Uncollected taxes (assumed collectible) from Prior Year Levy	84,289	-	84,289
Difference between Prior Estimated Delinquent Taxes Collectable and Actual Collection Rate	15,931	15,931	-
<u>Adjustments to Short-term liabilities</u>			
Interest Payable	(82,979)	(82,979)	-
Compensated Absences	(82,967)	(15,535)	(67,432)
<u>Adjustments to Long-term liabilities</u>			
Premium on Bonds	302,632	302,632	-
	<u>\$</u>	<u>255,257</u>	<u>\$ 99,452</u>

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

III. 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.

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 requirements of the Act and with local policies.

As of August 31, 2022, Academy Independent School District had the following investments:

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Certificates of Deposit	\$ 431,833	\$ 431,833	\$ -	\$ -	\$ -
TexPool	2,226,419	2,226,419	-	-	-
TexStar	46,151,168	46,151,168	-	-	-
Total	<u>\$ 48,809,420</u>	<u>\$ 48,809,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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 to certificates of deposits which are covered by pledged securities.

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
FOR THE YEAR ENDED AUGUST 31, 2022**

A. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires investments to have maturities of one year or less. The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the District to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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 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. There is no allowance for uncollectible tax receivables at August 31, 2022.

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

D. INTERFUND BALANCES AND TRANSFERS

Interfund receivables and payables primarily occur between the General Fund and Special Revenue Funds. Special Revenue Funds often incur expenditures prior to a reimbursement being received from the granting agency. Interfund balances at August 31, 2022, were as follows:

Fund	Due to	Due from
General Fund		
Special Revenue Funds	\$ 9,166	\$ 200,902
General Fund	15,595	15,595
Debt Service Fund	-	2,250
Capital Projects Fund	-	209,537
Trust and Agency Fund	3,834	6,019
	<u>28,595</u>	<u>434,303</u>
Special Revenue Funds		
General Fund	200,902	9,165
Special Revenue Fund	-	-
	<u>200,902</u>	<u>9,165</u>
Debt Service Fund		
General Fund	<u>2,250</u>	<u>-</u>
Capital Projects Fund		
General Fund	<u>209,537</u>	<u>-</u>
	<u>\$ 441,284</u>	<u>\$ 443,468</u>

Interfund transfer primarily occur with the General Fund making a transfer to another fund that is operating at a deficiency. Interfund transfer during the year ended August 31, 2022, were as follows:

Fund	Transfers in	Transfers out
General Fund	\$ -	\$ (15,574)
National Breakfast and Lunch Program	15,574	-
	<u>\$ 15,574</u>	<u>\$ (15,574)</u>

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2022, were as follows:

	Property Taxes	Other Governments	Other	Total Receivables
Governmental Activities:				
General Fund	\$ 100,643	\$ 11,134	\$ 661	\$ 112,438
Debt Service Fund	66,241	5,788	501	72,530
Other Governmental Funds	-	239,161	27,415	266,576
Total-Governmental Activities	<u>\$ 166,884</u>	<u>\$ 256,083</u>	<u>\$ 28,577</u>	<u>\$ 451,544</u>

Payables at August 31, 2022, were as follows:

	Accounts Payable	Salaries and Benefits	Due to Other Governments	Other	Total Payables
Governmental Activities:					
General Fund	\$ 61,412	\$ 685,690	\$ -	\$ 14,629	\$ 761,731
Debt Service Fund	-	-	-	-	-
Other Governmental Funds	3,204	84,309	1,134	5,357	94,004
Total-Governmental Activities	<u>\$ 64,616</u>	<u>\$ 769,999</u>	<u>\$ 1,134</u>	<u>\$ 19,986</u>	<u>\$ 855,735</u>

Amounts not scheduled for payment during
the subsequent year

\$ -	\$ -	\$ -	\$ -	\$ -
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F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2022, was as follows:

	Balance 8/31/2021	Additions	Retirements	Reclassifications	Balance 8/31/2022
Governmental Activities:					
Land	\$ 1,648,225	\$ -	\$ -	\$ -	\$ 1,648,225
Buildings and improvements	36,388,689	712,009	-	-	37,100,698
Furniture and equipment	4,425,131	172,565	-	-	4,597,696
Vehicles	2,171,595	356,514	-	-	2,528,109
Books and media	113,410	-	-	-	113,410
Construction in Progress	-	4,126,815	-	-	4,126,815
Total at historical cost	44,747,050	5,367,903	-	-	50,114,953
Less accumulated depreciation for:					
Buildings and improvements	(14,218,424)	(1,146,221)	-	-	(15,364,645)
Furniture and equipment	(3,651,332)	(188,995)	-	-	(3,840,327)
Vehicles	(1,736,060)	(139,438)	-	-	(1,875,498)
Total accumulated depreciation	(19,605,816)	(1,474,654)	-	-	(21,080,470)
Governmental Activities: Capital Assets, Net	<u>\$ 25,141,234</u>	<u>\$ 3,893,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,034,483</u>

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

F. CAPITAL ASSET ACTIVITY (continued)

Depreciation expense was charged to governmental functions as follows:

Depreciation by Function		Depreciation Expense
11	Instruction	\$ 830,766
12	Instruction Resources and Media Services	15,419
13	Curriculum and Instructional Staff Development	45,398
23	School Leadership	98,449
31	Guidance, Counseling and Evaluation Services	32,772
33	Health Services	18,794
34	Student (Pupil Transportation)	56,615
35	Food Services	70,484
36	Extracurricular Activities	70,294
41	General Administration	60,317
51	Facilities Maintenance and Operations	158,120
52	Security and Monitoring Services	7,470
53	Data Processing Services	9,756
Total		<u>\$ 1,474,654</u>

G. UNEARNED REVENUE

Governmental funds defer revenue recognition in connection with monies that have been received but not yet earned. As of August 31, 2022, the components of unearned revenue reported in the General, Debt Service and Non-Major funds consisted of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Non-Major</u>	<u>Totals</u>
Grants	\$ 205,054	\$ 64,009	\$ 34,847	\$ 303,910
Other	-	-	7,859	7,859
Totals	<u>\$ 205,054</u>	<u>\$ 64,009</u>	<u>\$ 42,706</u>	<u>\$ 311,769</u>

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

H. LONG-TERM LIABILITIES

The District's long-term liabilities consist of bond indebtedness and notes payable. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund.

Changes in Long-term Liabilities

Long-term liability activity for the fiscal year ended August 31, 2022 was as follows:

Description	Amounts Outstanding 9/1/2021	Additions	Retirements	Amounts Outstanding 8/31/2022	Due Within One Year
General Obligation Bonds	\$ 59,704,994	\$ -	\$ 1,250,000	\$ 58,454,994	\$ 1,305,000
Bond Premium	7,410,779	-	302,632	7,108,147	-
Notes Payable	1,338,276	-	215,014	1,123,262	178,262
Net Pension Liability	3,589,723	(1,276,269)	332,032	1,981,422	-
Net OPEB Liability	4,187,264	453,847	92,128	4,548,983	-
Totals	\$ 76,231,036	\$ (822,422)	\$ 2,191,806	\$ 73,216,808	\$ 1,483,262

Bonds Payable

Bond indebtedness of the District is reflected in the general long-term debt account group. Current requirements for principal and interest expenditures related to bonds are accounted for in the Debt Service Fund.

In May 2021, the District issued Unlimited Tax Refunding Bonds in the amount of \$13,539,994, for the purpose of refunding a portion of existing bonds at a present value savings. The proceeds were used to refund \$13,540,000 of Unlimited Tax School Building Bonds, Series 2013 that had an interest rate ranging from 2-5%. This portion of the old bonds are considered defeased and have been removed from the District's financial statements leaving \$1,195,000 of the original bond outstanding. The reacquisition price exceeded the net carrying value of the old debt by \$1,540,916, which is reported as a deferred outflow of resources and amortized over the remaining life of the refunding debt. The refunding reduced the District's total debt service payments by \$2,659,704 for a present value economic gain of \$2,186,212.

A summary of changes in bonds payable for the year ended August 31, 2022 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 9/1/2021	Issued	Retired	Amounts Outstanding 8/31/22
Unlimited Tax School Build. Bonds Series 2013	2 - 5%	\$ 16,985,000	\$ 40,725	\$ 1,195,000	\$ -	\$ 385,000	\$ 810,000
Unlimited Tax Refunding Bond Series 2021 May	1 - 4%	13,539,994	306,645	13,539,994	-	180,000	13,359,994
Unlimited Tax School Build. & Refund. Bond Series 2021 August	3 - 5%	44,970,000	1,478,839.00	44,970,000	-	685,000	44,285,000
			\$ 1,826,209	\$ 59,704,994	\$ -	\$ 1,250,000	\$ 58,454,994

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

H. LONG-TERM LIABILITIES (continued)

The annual requirements to pay principal and interest on the bond obligations outstanding as of August 31, 2022, are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2023	\$ 1,305,000	\$ 1,815,970	\$ 3,120,970
2024	1,360,000	1,760,620	3,120,620
2025	1,415,000	1,701,745	3,116,745
2026	1,475,000	1,637,295	3,112,295
2027	1,525,000	1,589,090	3,114,090
2028-2033	6,624,994	8,978,755	15,603,749
2033-2037	9,500,000	6,098,928	15,598,928
2038-2042	10,960,000	4,642,017	15,602,017
2043-2047	12,695,000	2,904,300	15,599,300
2048-2051	11,595,000	882,600	12,477,600
	<u>\$ 58,454,994</u>	<u>\$ 32,011,320</u>	<u>\$ 90,466,314</u>

Prior-Year Refunding's

In prior years, the District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

Notes Payable

Note indebtedness of the District is reflected in the following schedule.

A summary of changes in notes payable for the year ended August 31, 2022 is as follows:

Description	Note	Payable	Interest Current Year	Amounts Outstanding 9/1/2021	Issued	Retired	Amounts Outstanding 8/31/22
BB&T Gov. Fin. - Time Warrants	6/30/2016	1.930%	\$ 5,501	\$ 325,000	\$ -	\$ 80,000	\$ 245,000
Amegy Bank - Tax Notes	3/28/2019	2.400%	21,012	910,000	-	65,000	845,000
BancorpSouth - Bus	10/15/2019	3.790%	1,324	34,335	-	34,335	-
BancorpSouth - Bus	8/20/2021	2.590%	152	68,940	-	35,678	33,262
			<u>\$ 27,989</u>	<u>\$ 1,338,275</u>	<u>\$ -</u>	<u>\$ 215,013</u>	<u>\$ 1,123,262</u>

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

H. LONG-TERM LIABILITIES (continued)

The annual requirements to pay principal and interest on the notes payable outstanding as of August 31, 2022, are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2023	\$ 178,262	\$ 26,026	\$ 204,287
2024	150,000	20,293	170,293
2025	150,000	17,080	167,080
2026	155,000	13,620	168,620
2027	160,000	9,840	169,840
2028-2029	330,000	7,920	337,920
	<u>\$ 1,123,262</u>	<u>\$ 94,778</u>	<u>\$ 1,218,040</u>

I. COMMITMENTS UNDER OPERATING LEASES

During the year ended August 31, 2022, the District had no significant commitments under operating leases.

J. ACCUMULATED UNPAID LEAVE BENEFITS

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 employee's daily rate with a maximum payout of \$9,000. As of the fiscal year ending August 31, 2022, the District's potential payout to retirees for unpaid leave was \$67,431.

K. DEFINED BENEFIT PENSION PLAN

Plan Description. Academy Independent School District participates in a cost-sharing multiple-employer defined benefit pension plan 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 workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

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.

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

K. DEFINED BENEFIT PENSION PLAN (continued)

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 227,273,463,630
Less: Plan Fiduciary Net Position	<u>(201,807,002,496)</u>
Net Pension Liability	<u>\$ 25,466,461,134</u>

Net Position as percentage of Total Pension Liability 88.79%

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 listed 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. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2020 thru 2025.

	Contribution Rates	
	<u>2021</u>	<u>2022</u>
Member	7.70%	8.00%
Non-Employer Contributing Entity (State)	7.50%	7.75%
Employers	7.50%	7.75%
Current fiscal year employer contributions		\$ 361,351
Current fiscal year member contributions		901,604
2021 measurement year NECE on-behalf contributions		635,887

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
FOR THE YEAR ENDED AUGUST 31, 2022**

K. DEFINED BENEFIT PENSION PLAN (continued)

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, private, local or non-educational and general funds.
- When the employing district is a public junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees and 100 percent of the state contribution rate for all other employees

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- 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.
- All public schools, charter schools and regions education service centers must contribute 1.7 percent of the member's salary beginning in fiscal year 2021, gradually increasing to 2 percent in fiscal year 2025.

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the total pension liability to August 31, 2021.

The total pension liability in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August 2020	1.95% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2121
Inflation	2.30%
Salary Increases	3.05% to 9.05%, including inflation
Ad hoc Post Employment Benefit Changes	None

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

K. DEFINED BENEFIT PENSION PLAN (continued)

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2020. For a full year description of these assumptions, please see the TRS CAFR and actuarial valuation report dated November 9, 2020.

Discount Rate. The single discount rate used to measure the total pension liability was 7.25 percent. The rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates set during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and State contributions for active and rehired retirees. 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 7.25 percent. 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, 2021 are summarized below:

Asset Class ¹	Target Allocation ²	Real Return Geometric Basis ³	Long-term Expected Portfolio Real Rate of Return
Global Equity			
U.S.	18%	3.60%	0.94%
Non-U.S. Developed	13%	4.40%	0.83%
Emerging Markets	9%	4.60%	0.74%
Private Equity	14%	6.30%	1.36%
Stable Value			
Government Bonds	16%	-0.20%	0.01%
Absolute Return	0%	1.10%	0.00%
Stable Value Hedge Funds	5%	2.20%	0.12%
Real Return			
Real Estate	15%	4.50%	1.00%
Energy and Natural Resources	6%	4.70%	0.35%
Commodities	0%	1.70%	0.00%
Risk Parity			
Risk Parity	8%	2.80%	0.28%
Asset Allocation Leverage			
Cash	2%	-0.70%	-0.01%
Asset Allocation Leverage	-6.00%	-0.50%	0.03%
Inflation Expectation			2.20%
Volatility Drag ⁴			-0.95%
Total	100%		6.90%

¹ Absolute Return includes Credit Sensitive Investments.

² Target allocations are based on the FY2021 policy model.

³ Capital market assumptions come for Aon Hewitt (as of 8/31/2021)

⁴ The volatility drag results from the conversion between arithmetic and geometric mean returns.

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

K. DEFINED BENEFIT PENSION PLAN (continued)

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 (7.25%) in measuring the 2021 Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Proportionate share of the net pension liability:	\$ 4,329,721	\$ 1,981,422	\$ 76,238

Pension Liabilities, Pension Expense, and Deferred Overflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2022, Academy Independent School District reported a liability of \$1,981,422 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	\$ 1,981,422
State's proportionate share that is associated with the District	<u>3,794,699</u>
Total	<u>\$ 5,776,121</u>

The net pension liability was measured as of August 31, 2021 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, 2020 thru August 31, 2021.

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.0077805146% which was an increase of 0.0010780141% from its proportion measured as of August 31, 2020.

Changes Since the Prior Actuarial Valuation — The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

There were no changes in assumptions since the prior measurement date.

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

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

K. DEFINED BENEFIT PENSION PLAN (continued)

For the year ended August 31, 2022, the District recognized pension expense of \$330,911 and revenue of \$15,171 for support provided by the State.

At August 31, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 3,316	\$ 139,494
Changes in actuarial assumptions	700,394	305,312
Differences between projected and actual investment earnings	-	1,661,396
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	694,975	237,806
Total as of August 31, 2021 measurement date	\$ 1,398,685	\$ 2,344,008
Contributions paid to TRS subsequent to the measurement date	361,351	
Total as of August 31, 2022 fiscal year-end	\$ 1,760,036	\$ 2,344,008

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:

Fiscal year ended August 31,	Pension Expense Amount
2023	\$ (109,958)
2024	(148,319)
2025	(304,474)
2026	(453,462)
2027	50,084
Thereafter	20,806

L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS 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.

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 41,113,711,083
Less: Plan Fiduciary Net Position	(2,539,242,470)
Net OPEB Liability	<u>\$ 38,574,468,613</u>
Net Position as percentage of Total OPEB Liability	6.18%

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

Benefits Provided. TRS-Care provides basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for retirees are presented in the following table:

TRS-Care Plan Premium Rates		
<i>Effective Jan. 1, 2018 - Dec. 31, 2021</i>		
	Medicare	Non-Medicare
Retirees*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999
<i>* or surviving spouse</i>		

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2021	2022
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions		\$ 97,805
Current fiscal year member contributions		\$ 73,257
Measurement year NECE on-behalf contributions		\$ 123,431

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

A supplemental appropriation was authorized by Senate Bill 1264 of the 86th Texas Legislature to provide \$5,520,343 for consumer protections against medical and health care billing by certain out-of-network providers in fiscal year 2021.

Actuarial Assumptions. The total OPEB liability in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care was performed as of August 31, 2020. Update procedures were used to roll forward the total OPEB liability to August 31, 2021:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions used for members of TRS are identical to the assumptions employed in the August 31, 2021 TRS annual pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Salary Increases
Rates of Disability Incidence	

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females with full generational mortality using Scale BB. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

The initial medical trend rates were 8.50% for Medicare retirees and 7.10% for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on plan specific experience
Election Rates	Normal retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Ad hoc post-employment benefit changes	None

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

Discount Rate. A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of 0.38% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active 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 OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index".

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (1.95%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate 0.95%	Discount Rate 1.95%	1% Increase in Discount Rate 2.95%
Proportionate share of the net OPEB liability	\$ 5,487,121	\$ 4,548,983	\$ 3,810,637

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate of 8.5 percent:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability	\$3,684,525	\$4,548,983	\$5,708,870

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2022, the District reported a liability of \$4,548,983 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 4,548,983
State's proportionate share that is associated with the District	6,094,623
Total	<u>\$ 10,643,606</u>

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

The Net OPEB Liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At August 31, 2021, the District's proportion of the collective Net OPEB Liability was 0.0117927295% which was an increase of 0.0007778211% from its proportion measured as of August 31, 2020.

Changes Since the Prior Actuarial Valuation. The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

- The discount rate was changed from 2.33 percent to 1.95 percent as a result of requirements by GASB Statement 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

For the year ended August 31, 2022, the District recognized OPEB expense of \$(196,417) and revenue of \$(224,938) for support provided by the State.

At August 31, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 195,855	\$ 2,202,026
Changes in actuarial assumptions	503,853	962,026
Differences between projected and actual investment earnings	4,939	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,186,187	-
Total as of August 31, 2021 measurement date	1,890,834	3,164,052
Contributions paid to TRS subsequent to the measurement date	97,805	
Total as of August 31, 2022 fiscal year-end	<u>\$ 1,988,639</u>	<u>\$ 3,164,052</u>

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

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

Fiscal year ended August 31,	OPEB Expense Amount
2023	\$ (298,878)
2024	(298,990)
2025	(298,962)
2026	(179,219)
2027	(17,109)
Thereafter	(180,060)

M. MEDICARE PART D COVERAGE

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries know 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 retire drug subsidy payments from the federal government to offset certain prescription drug expenditure for the eligible TRS-Care participants. For the fiscal years ended August 31, 2022, 2021, and 2020, the subsidy payments received by TRS-Care on behalf of the District were \$47,966, \$48,514, and \$46,900, respectively.

N. HEALTH CARE COVERAGE

The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. The plan is authorized by the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and by the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan is a premium-based plan. Payments are made on a monthly basis for all covered employees.

O. DEFERRED INFLOWS

Deferred inflows at August 31, 2022 end consisted of the following:

	General	Debt Service	Total
Property Taxes	\$ 100,643	\$ 66,241	\$ 166,884

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

P. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to either 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, 2022, 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.

	State Entitlements	Federal Grants	Property Tax	Total
General Fund	\$ -	\$ -	\$ 111,777	\$ 111,777
Debt Service Fund	-	-	72,029	72,029
ESEA Title I, Part A	-	12,497	-	12,497
IDEA Part B Formula	-	43,080	-	43,080
National Breakfast and Lunch Program	-	22,212	-	22,212
ESEA Title II, A	-	2,830	-	2,830
Esser Relief Fund	-	158,542	-	158,542
Total Due from Other Governments	\$ -	\$ 239,161	\$ 183,806	\$ 422,967

Q. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Debt Service Fund	National Breakfast and Lunch Program	SSA Bell Co. Coop Fund	Internal Service Fund	Future Bees Service Fund	Capital Projects	Total
Property Taxes	\$5,474,631	\$ 3,089,594	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,564,225
Interest Income	20,704	19,384	-	1,321	-	-	204,025	245,434
Tuition and Fees	23,438	-	-	-	-	55,476	-	78,914
Food sales	-	-	59,589	-	-	-	-	59,589
CoCurricular	37,067	-	-	-	-	-	-	37,067
Alternative Education	-	-	-	231,630	-	-	-	231,630
Gifts and Bequests	30,231	-	-	-	-	-	-	30,231
Other	61,449	-	-	-	100,053	-	-	161,502
	\$5,647,520	\$ 3,108,978	\$ 59,589	\$ 232,951	\$ 100,053	\$ 55,476	\$ 204,025	\$ 9,408,592

R. SHARED SERVICES ARRANGEMENT

The District is the fiscal agent for the following Shared Services Arrangement (SSA):

Alternative School – This arrangement is to operate alternative education through two programs; the Alternative Education Placement (AEP) program, and the Disciplinary Alternative Educational Placement (DAEP) program. There are five member districts. The member districts provide program funds to the fiscal agent for all services by the fiscal agent. According to guidance provided in TEA's Resource Guide, the District accounted for the activities of the SSA in Fund No. 459. Member districts share equally in the cost of the program.

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

R. SHARED SERVICES ARRANGEMENT (continued)

The District is also a member of the following Shared Services Arrangement (SSA):

Special Education - The District participates in a shared services arrangement for Special Education with four other districts. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Holland Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Academy Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

S. RISK MANAGEMENT

Workers' Compensation Aggregate Deductible

During the year ended August 31, 2022, 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 Inter-local 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 Inter-local 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 \$2million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2022, the Fund carries a discounted reserve of \$112,857,641 for future development on reported claims and claims that have been incurred but not yet reported.

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, 2022 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Auto, Liability, and/or Property Programs

During the year ended August 31, 2022, Academy Independent School District participated in the following TASB Risk Management Fund (the Fund) programs:

Auto Liability
Auto Physical Damage
Legal Liability
Privacy & Information Security
Property

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

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

S. RISK MANAGEMENT (continued)

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, 2022, 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 acceptance by the Fund's Board of Trustees in February of the following year. The fund's audited financial statements as of August 31, 2022, 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, 2022, 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 Inter-local 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 Inter-local 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, 2021, the Fund anticipates that Academy Independent School District has no additional liability behind the contractual obligation for payment of contribution.

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, 2022 are available on the TASB Risk Management Fund website and have been files with the Texas Department of Insurance in Austin.

T. SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 18, 2023 the date which financial statements were available to be issued.

U. PRIOR PERIOD ADJUSTMENTS

The beginning balance of the special revenue fund, Campus Activities, was established to be \$16,543, being presented as a prior period adjustment in Exhibit H-2.

REQUIRED SUPPLEMENTARY INFORMATION

ACADEMY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT G-1

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance With
		Original	Final	(GAAP BASIS)	Final Budget
					Positive or (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 5,662,320	\$ 5,997,422	\$ 5,647,520	\$ (349,902)
5800	State program revenues	9,934,811	10,729,440	9,813,310	(916,130)
5900	Federal program revenues	972,284	972,284	1,123	(971,161)
5020	Total revenues	16,569,415	17,699,146	15,461,953	(2,237,193)
EXPENDITURES					
Current:					
0011	Instruction	10,253,047	10,182,934	8,957,647	1,225,287
0012	Instructional resources and media services	213,428	223,280	184,824	38,456
0013	Curriculum and instructional staff development	396,347	462,530	291,129	171,401
0023	School leadership	1,066,420	1,199,641	1,184,290	15,351
0031	Guidance, counseling, and evaluation services	383,445	414,027	392,387	21,640
0032	Attendance and social	65,000	65,000	-	65,000
0033	Health services	197,050	228,872	223,895	4,977
0034	Student (pupil) transportation	482,386	708,603	678,176	30,427
0035	Food Services	-	1,207	1,142	65
0036	Extracurricular activities	761,146	913,291	893,948	19,343
0041	General administration	670,610	794,099	723,148	70,951
0051	Facilities maintenance and operations	1,638,411	1,944,324	1,873,402	70,922
0052	Security and monitoring services	91,600	106,600	91,032	15,568
0053	Data processing services	-	133,813	116,840	16,973
0061	Community services	59,246	59,246	-	59,246
0071	Principal on long-term debt	241,279	356,279	215,014	141,265
0072	Interest on long-term debt	-	-	27,990	(27,990)
0073	Bond issuance costs and fees	-	-	-	-
0081	Facilities acquisition and construction	-	266,000	259,086	6,914
0093	Payments to fiscal agent/member district of SSA	50,000	100,000	60,178	39,822
6030	Total expenditures	16,569,415	18,159,746	16,174,128	1,985,618
1100	Excess (deficiency) of revenues over expenditures	-	(460,600)	(712,175)	(251,575)
OTHER FINANCING SOURCES (USES) :					
7914	Non-current loan proceeds	-	-	-	-
8911	Transfers out	-	(68,046)	(15,574)	52,472
7080	Total other financing sources and (uses)	-	(68,046)	(15,574)	52,472
1200	Net change in fund balances	-	(528,646)	(727,749)	(199,103)
0100	Fund balances--beginning	5,166,056	5,166,056	5,166,056	
3000	Fund balances--ending	\$ 5,166,056	\$ 4,637,410	\$ 4,438,307	\$ (199,103)

Budget variances explanation:

Function 0072: The budget for interest on long-term debt was included with the budget for Function 0071.

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, 2022

Measurement Year Ended August 31,	2021	2020	2019
District's Proportion of the Net Pension Liability (Asset)	0.0077805146%	0.0067025005%	0.0075022845%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,981,422	\$ 3,589,723	\$ 3,899,922
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	3,794,699	7,802,143	6,741,852
Total	<u>\$ 5,776,121</u>	<u>\$ 11,391,866</u>	<u>\$ 10,641,774</u>
District's Covered Payroll	\$ 10,900,739	\$ 9,962,806	\$ 8,999,986
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	18.18%	36.03%	43.33%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	88.79%	75.54%	75.24%

Note: Only eight years 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."

2018	2017	2016	2015	2014
0.0065308852%	0.0064004988%	0.0060252989%	0.0057296000%	0.0030006000%
\$ 3,594,758	\$ 2,046,535	\$ 2,276,871	\$ 2,025,337	\$ 801,502
7,511,048	4,402,628	5,298,030	4,754,849	4,071,557
\$ 11,105,806	\$ 6,449,163	\$ 7,574,901	\$ 6,780,186	\$ 4,873,059
\$ 8,577,722	\$ 8,107,698	\$ 7,574,901	\$ 6,780,186	\$ 4,873,059
41.91%	25.24%	30.06%	29.87%	16.45%
73.74%	82.17%	78.00%	78.43%	83.25%

**ACADEMY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2022**

Fiscal Year Ended August 31,	2022	2021	2020
Contractually Required Contribution	\$ 361,351	\$ 331,622	\$ 276,547
Contribution in Relation to the Contractually Required Contribution	(361,351)	(331,622)	(276,547)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 11,270,058	\$ 10,900,739	\$ 9,962,806
Contributions as a percentage of Covered Payroll	3.21%	3.04%	2.78%

Note: Only eight years 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."

2019	2018	2017	2016	2015
\$ 260,628	\$ 223,345	\$ 209,152	\$ 191,435	\$ 170,117
(260,628)	(220,849)	(209,152)	(191,435)	(170,117)
\$ -	\$ 2,496	\$ -	\$ -	\$ -
\$ 8,999,986	\$ 8,577,722	\$ 8,107,698	\$ 6,974,243	\$ 6,731,201
2.90%	2.60%	2.58%	2.74%	2.53%

ACADEMY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT G-4

Measurement Year Ended August 31,	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0117927295%	0.0110149084%	0.0107626468%	0.0096634510%	0.0091407767%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 4,548,983	\$ 4,187,264	\$ 5,089,790	\$ 4,825,050	\$ 3,974,981
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	6,094,623	5,626,679	6,763,189	7,558,802	6,575,185
Total	\$ 10,643,606	\$ 9,813,943	\$ 11,852,979	\$ 12,383,852	\$ 10,550,166
District's Covered Payroll	\$ 10,900,739	\$ 9,962,806	\$ 8,999,986	\$ 8,577,722	\$ 8,107,698
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	41.73%	42.03%	56.55%	56.25%	49.03%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	6.18%	4.99%	2.66%	1.57%	0.91%

Note: Only five years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years 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'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2022**

EXHIBIT G-5

Fiscal Year Ended August 31, 2022	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 97,805	\$ 92,128	\$ 83,721	\$ 76,011	\$ 66,462
Contribution in Relation to the Contractually Required Contribution	(97,805)	(92,128)	(83,721)	(76,011)	(66,664)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (202)</u>
District's Covered Payroll	\$ 11,270,058	\$ 10,900,739	\$ 9,962,806	\$ 8,999,986	\$ 8,577,722
Contributions as a percentage of Covered Payroll	0.87%	0.85%	0.84%	0.84%	0.77%

Note: Only five years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years 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, 2022**

BUDGETARY INFORMATION

The Board of Trustees adopts an “appropriated budget” for the General Fund, the Debt Service 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 Food Service Fund Budget report appears in Exhibit J-2 and the Debt Service Fund Budget appears in Exhibit J-3.

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 of Trustees 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 of Trustees. 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 of Trustees. Amendments are presented to the Board of Trustees at its regular meetings and each amendment must be approved. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board of Trustees, 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 of Trustees. All budget appropriations lapse at year end.

COMBINING STATEMENTS

**ACADEMY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2022**

Data Control Codes	211 ESEA I. A Improving Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National Breakfast and Lunch Program	255 ESEA II. A Training and Recruiting	266 ESSER School Emergency Relief Fund	281 ESSER II Coronavirus Relief Supplement	282 ESSER III American Rescue Plan	283 ESSER Supplemental American Rescue Plan
ASSETS									
1110 Cash and cash equivalents	\$ -	\$ -	\$ 410	\$ 217,166	\$ -	\$ -	\$ -	\$ -	\$ -
1240 Due from other governments	12,497	43,080	282	22,212	2,548	-	4,012	55,539	62,556
1260 Due from other funds	-	-	-	-	-	-	-	-	-
1290 Due from other	-	-	-	-	-	-	-	-	-
1400 Prepaid Workers Comp	-	-	-	-	-	-	-	-	-
1000 Total Assets	\$ 12,497	\$ 43,080	\$ 692	\$ 239,378	\$ 2,548	\$ -	\$ 4,012	\$ 55,539	\$ 62,556
LIABILITIES									
2110 Accounts payable	\$ -	\$ -	\$ -	\$ 3,204	\$ -	\$ -	\$ -	\$ -	\$ -
2160 Accrued wages payable	6,799	16,752	620	20,043	2,876	-	-	5,277	12,309
2170 Due to other funds	3,788	24,424	-	-	244	-	4,012	50,153	48,844
2180 Due to other governments	1,134	-	-	-	-	-	-	-	-
2190 Other Receivables	-	-	-	-	-	-	-	-	-
2200 Accrued expenditures	776	1,904	72	418	228	-	-	109	1,403
2300 Unearned revenue	-	-	-	36,268	-	-	-	-	-
2000 Total Liabilities	12,497	43,080	692	59,933	2,548	-	4,012	55,539	62,556
FUND BALANCES									
3450 Restricted - Food Service	-	-	-	179,445	-	-	-	-	-
3460 Restricted - Internal Service	-	-	-	-	-	-	-	-	-
3470 Restricted - Capital Projects	-	-	-	-	-	-	-	-	-
3510 Committed - Future Buses	-	-	-	-	-	-	-	-	-
3545 Committed - Bell Co. Coop	-	-	-	-	-	-	-	-	-
3600 Unassigned	-	-	-	-	-	-	-	-	-
3000 Total Fund Balances	-	-	-	179,445	-	-	-	-	-
4000 Total Liabilities and Fund Balances	\$ 12,497	\$ 43,080	\$ 692	\$ 239,378	\$ 2,548	\$ -	\$ 4,012	\$ 55,539	\$ 62,556

284 IDEA-B Formula American Rescue Plan	285 IDEA-B Preschool American Rescue Plan	289 ESEA IV, A Subpart I SSAE	331 Carl D. Perkins Basic Formula	397 Advanced Placement Program	410 State Textbook Fund	429 Advanced Placement Incentive Award	459 SSA Bell Co. Coop Fund	461 Internal Service Fund	498 Future Boes Service Fund	699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ (1,405)	\$ -	\$ 6,438	\$ -	\$ 226,429	\$ 62,155	\$ 9,328	\$ 42,559,098	\$ 43,077,619
29,033	-	7,402	-	-	-	-	-	-	-	-	239,161
-	-	-	3,405	-	-	-	3,760	-	-	-	9,165
-	-	-	-	-	-	-	27,415	-	-	-	27,415
-	-	-	-	-	-	-	-	-	-	-	-
\$ 29,033	\$ -	\$ 7,402	\$ -	\$ -	\$ 6,438	\$ -	\$ 259,604	\$ 62,155	\$ 9,328	\$ 42,559,098	\$ 43,353,360
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,204
-	-	51	-	-	-	-	15,881	-	4,501	-	84,309
29,033	-	7,346	-	-	-	-	33,057	-	-	209,538	410,439
-	-	-	-	-	-	-	-	-	-	-	1,134
-	-	-	-	-	-	-	-	-	-	-	-
-	-	5	-	-	-	-	345	-	97	-	5,357
-	-	-	-	-	6,438	-	-	-	-	-	42,706
29,033	-	7,402	-	-	6,438	-	49,283	-	4,598	209,538	547,149
-	-	-	-	-	-	-	-	-	-	-	179,445
-	-	-	-	-	-	-	-	62,155	-	-	62,155
-	-	-	-	-	-	-	-	-	-	42,349,560	42,349,560
-	-	-	-	-	-	-	-	-	4,730	-	4,730
-	-	-	-	-	-	-	210,321	-	-	-	210,321
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	210,321	62,155	4,730	42,349,560	42,806,211
\$ 29,033	\$ -	\$ 7,402	\$ -	\$ -	\$ 6,438	\$ -	\$ 259,604	\$ 62,155	\$ 9,328	\$ 42,559,098	\$ 43,353,360

ACADEMY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	211 ESEA I, A Improving Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	266 ESSER School Emergency Relief Fund	281 ESSER II Coronavirus Relief Supplement	282 ESSER III American Rescue Plan	283 ESSER Supplemental American Rescue Plan
REVENUES									
5700 Local and intermediate sources	\$ -	\$ -	\$ -	\$ 59,589	\$ -	\$ -	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-	22,920	-	-	-	-	-
5900 Federal program revenues	107,338	283,436	7,423	915,861	24,050	9,995	272,185	204,664	257,269
5020 Total revenues	107,338	283,436	7,423	998,370	24,050	9,995	272,185	204,664	257,269
EXPENDITURES									
Current:									
0011 Instruction	107,338	283,436	7,423	-	24,050	9,995	169,049	128,565	180,165
0012 Instructional resources and media services	-	-	-	-	-	-	3,090	-	-
0013 Curriculum and instructional staff development	-	-	-	-	-	-	16,448	65,677	77,104
0023 School leadership	-	-	-	-	-	-	15,441	-	-
0031 Guidance, counseling, and evaluation services	-	-	-	-	-	-	5,148	1,850	-
0032 Social work services	-	-	-	-	-	-	-	2,787	-
0033 Health services	-	-	-	-	-	-	5,148	-	-
0034 Student Transportation	-	-	-	-	-	-	8,780	-	-
0035 Food services	-	-	-	839,865	-	-	17,971	-	-
0036 Extracurricular Activities	-	-	-	-	-	-	1,030	-	-
0041 General administration	-	-	-	-	-	-	6,146	5,785	-
0051 Facilities maintenance and operations	-	-	-	-	-	-	21,876	-	-
0053 Data processing services	-	-	-	-	-	-	2,058	-	-
0061 Community services	-	-	-	-	-	-	-	-	-
Capital outlay:									
0081 Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
6030 Total expenditures	107,338	283,436	7,423	839,865	24,050	9,995	272,185	204,664	257,269
1100 Excess (deficiency) of revenues over expenditures	-	-	-	158,505	-	-	-	-	-
OTHER FINANCING SOURCES (USES)									
7911 Bond Issue	-	-	-	-	-	-	-	-	-
7912 Bond Refunding	-	-	-	-	-	-	-	-	-
7916 Premium on bonds	-	-	-	-	-	-	-	-	-
7915 Transfers in	-	-	-	15,574	-	-	-	-	-
8911 Transfers out	-	-	-	-	-	-	-	-	-
8949 Payment to escrow	-	-	-	-	-	-	-	-	-
7080 Total other financing sources and (uses)	-	-	-	15,574	-	-	-	-	-
1200 Net change in fund balances	-	-	-	174,079	-	-	-	-	-
0100 Fund balances--beginning	-	-	-	5,366	-	-	-	-	-
Prior Period Adjustment	-	-	-	-	-	-	-	-	-
3000 Fund balances--ending	\$ -	\$ -	\$ -	\$ 179,445	\$ -	\$ -	\$ -	\$ -	\$ -

284 IDEA-B Formula American Rescue Plan	285 IDEA-B Preschool American Rescue Plan	289 ESEA IV, A Subpart I SSAE	331 Carl D. Perkins Basic Formula	397 Advanced Placement Program	410 State Textbook Fund	429 Advanced Placement Incentive Award	459 SSA Bell Co. Coop Fund	461 Internal Service Fund	498 Future Bess Service Fund	699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 232,951	\$ 100,053	\$ 55,476	\$ 204,025	\$ 652,094
636	-	-	-	36	102,904	22,313	17,485	-	3,770	-	170,064
61,318	217	10,000	-	-	-	-	-	-	-	-	2,153,256
61,954	217	10,000	-	36	102,904	22,313	250,436	100,053	59,246	204,025	2,973,914
61,954	217	10,000	-	36	-	-	252,730	-	-	-	1,234,958
-	-	-	-	-	-	-	-	-	-	-	3,090
-	-	-	-	-	102,904	-	-	-	-	-	262,133
-	-	-	-	-	-	-	50	-	-	-	15,491
-	-	-	-	-	-	-	-	-	-	-	6,998
-	-	-	-	-	-	-	-	-	-	-	2,787
-	-	-	-	-	-	-	-	-	-	-	5,148
-	-	-	-	-	-	-	-	-	-	161,713	170,493
-	-	-	-	-	-	-	-	-	-	-	857,836
-	-	-	-	-	-	-	-	54,441	-	-	55,471
-	-	-	-	-	-	-	-	-	-	-	11,931
-	-	-	-	-	-	22,313	31,708	-	-	-	75,897
-	-	-	-	-	-	-	-	-	-	-	2,058
-	-	-	-	-	-	-	-	-	54,516	-	54,516
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	4,785,705	4,785,705
61,954	217	10,000	-	36	102,904	22,313	284,388	54,441	54,516	4,947,418	7,544,512
-	-	-	-	-	-	-	(34,052)	45,612	4,730	(4,743,393)	(4,568,598)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	15,574
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	15,574
-	-	-	-	-	-	-	(34,052)	45,612	4,730	(4,743,393)	(4,553,024)
-	-	-	-	-	-	-	244,373	-	-	47,092,953	47,342,692
-	-	-	-	-	-	-	-	16,543	-	-	16,543
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,321	\$ 62,155	\$ 4,730	\$ 42,349,560	\$ 42,806,211

REQUIRED TEA SCHEDULES

**ACADEMY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2022**

Last Ten Years Ended August 31	1	2	3	
	Maintenance	Debt Service	Net Assessed/Appraised Value For School Tax Purposes	
2011 and prior years	various	various	\$	various
2012	1.040000	0.134000		245,195,341
2013	1.040000	0.122800		265,011,279
2014	1.040000	0.500000		272,314,038
2015	1.040000	0.441600		299,610,899
2016	1.040000	0.313300		312,677,145
2017	1.040000	0.313300		358,501,815
2018	1.040000	0.313300		386,320,698
2019	1.040000	0.286700		427,266,752
2020	0.970000	0.279500		500,503,401
2021	0.874700	0.290100		575,703,726
2022 (School year under audit)	0.872700	0.494400		631,244,030
1000 TOTALS				

10 Beginning Balance 9/1/2021	20 Current Year's Total Levy	31 Maintenance Total Collections	32 Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2022
1,494	-	333	36	18	1,144
177	-	62	8	(3)	104
441	-	62	7	1	372
133	-	62	30	(1)	40
3,576	-	540	229	-	2,807
3,062	-	132	40	-	2,890
5,021	-	392	117	-	4,511
8,382	-	220	66	(162)	7,934
9,755	-	1,462	403	217	8,107
24,968	-	9,362	2,697	5,693	18,602
89,794	-	48,279	16,012	12,277	37,780
-	8,629,737	5,511,887	3,122,895	87,639	82,594
\$ 146,803	\$ 8,629,737	\$ 5,572,793	\$ 3,142,541	\$ 105,679	\$ 166,884

ACADEMY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT J-2

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES				
5700	Local and intermediate sources	\$ 35,000	\$ 35,000	\$ 59,589	\$ 24,589
5800	State program revenues	-	26,009	22,920	(3,089)
5900	Federal program revenues	605,876	830,876	915,861	84,985
5020	Total revenues	640,876	891,885	998,370	106,485
	EXPENDITURES				
	Current:				
0035	Food services	640,876	891,885	839,865	52,020
6030	Total expenditures	640,876	891,885	839,865	52,020
1100	Excess (deficiency) of revenues over expenditures	-	-	158,505	158,505
	OTHER FINANCING SOURCES (USES) :				
7915	Transfers in	-	-	15,574	(15,574)
8911	Transfers out	-	-	-	-
7080	Total other financing sources and (uses)	-	-	15,574	(15,574)
1200	Net change in fund balances	-	-	174,079	158,505
0100	Fund balances--beginning	5,366	5,366	5,366	
3000	Fund balances--ending	\$ 5,366	\$ 5,366	\$ 179,445	\$ 158,505

ACADEMY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT J-3

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES				
5700	Local and intermediate sources	\$ 1,778,367	\$ 3,088,367	\$ 3,108,978	\$ 20,611
5800	State program revenues	-	-	55,674	55,674
5900	Federal program revenues	-	-	-	-
5020	Total revenues	1,778,367	3,088,367	3,164,652	76,285
	EXPENDITURES				
	Debt Service:				
0071	Principal on long-term debt	1,778,367	3,088,367	1,250,000	1,838,367
0072	Interest on long-term debt	-	-	1,826,209	(1,826,209)
0073	Bond issuance costs and fees	-	-	648	(648)
6030	Total expenditures	1,778,367	3,088,367	3,076,857	11,510
1100	Excess (deficiency) of revenues over expenditures	-	-	87,795	87,795
	OTHER FINANCING SOURCES (USES) :				
7915	Transfers in	-	-	-	-
8911	Transfers out	-	-	-	-
7080	Total other financing sources and (uses)	-	-	-	-
1200	Net change in fund balances	-	-	87,795	87,795
0100	Fund balances--beginning	2,074,461	2,074,461	2,074,461	
3000	Fund balances--ending	\$ 2,074,461	\$ 2,074,461	\$ 2,162,256	\$ 87,795

Academy Independent School District
Use of Funds Report - Select State Allotment Programs
For the Year Ended August 31, 2022

Section A: Compensatory Education Programs		Column 1	Responses
Did your LEA expend any state compensatory education program state allotment funds during the districts fiscal year?		Yes	
Does the LEA have written policies and procedures for its state compensatory education program?		Yes	
List the total state allotment funds received for state compensatory education programs during the district's fiscal year.		\$913,759	
List the actual direct program expenditures for the state compensatory education programs during the LEA's fiscal year. (PIC's 24,26,28,29,30,34)		\$594,546	
Section B: Bilingual Education Programs			
Did your LEA expend and state bilingual education program state allotment funds during the districts fiscal year?		Yes	
Does the LEA have written policies and procedures for its bilingual education program?		Yes	
List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.		\$54,799	
List the actual direct program expenditures for the bilingual education programs during the LEA's fiscal year. (PIC's 25,35)		\$54,722	

FEDERAL AWARDS SECTION

Paul J. Christensen & Associates, LLC

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Paul J. Christensen, C.P.A.
Gary L. Sauls, C.P.A.

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
Little River-Academy, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Academy Independent School District, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise Academy Independent School District's basic financial statements, and have issued our report thereon dated January 18, 2023.

Report on 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) as a basis for designing 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 Academy Independent School 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 or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Paul J. Christensen & Associates, LLC



Waco, Texas

January 18, 2023

Paul J. Christensen & Associates, LLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Academy Independent School District
Little River-Academy, Texas

Report on Compliance For Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Academy Independent School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Academy Independent School District's major federal programs for the year ended August 31, 2022. Academy Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Academy Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Academy Independent School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Academy Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Academy Independent School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Academy Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Academy Independent School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Academy Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Academy Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Academy Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Paul J. Christensen & Associates, LLC



Waco, Texas

January 18, 2023

**ACADEMY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022**

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Noncompliance material to financial statements
noted? No

Federal Awards:

Internal control over major programs:

Material weaknesses identified? No

Significant deficiency (ies) identified that are not considered to be
material weaknesses? No

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

Any audit findings disclosed that are required to be reported in
Accordance with *Audit Requirements for Federal Awards* (Uniform
Guidance)? No

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

10.553 School Breakfast Program

10.555 National Lunch Program

Dollar threshold used to distinguish between Type A
and Type B programs: \$750,000

Auditee qualified as low risk auditee? Yes

Financial Statement Findings

None

**ACADEMY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022**

EXHIBIT K-1

Federal Grantor/Pass-Through/Program Title	1 Federal CFDA Number	2a Pass-Through Entity Identifying Number	3 Federal Expenditures
U.S. Department of Education:			
<u>Passed-Through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	S010A210043	\$ 107,338
IDEA - Part B, Formula	84.027A	H027A210008	283,436
IDEA - Part B, Formula	84.027A	H027X210008	61,318
ESEA, IDEA-B Preschool	84.173A	H173A200004	7,423
ESEA, IDEA-B Preschool	84.173X	H173X210004	217
Total Special Education Cluster			<u>352,394</u>
ESEA, Title II, Part A - Teacher and Principal Training	84.367A	S367A210041	24,050
ESEA, Title IV, Part A, Subpart I	84.424A	S424A210045	10,000
ESSER Grant	84.425D	S425D200042	9,995
CRRSA ESSER II	84.425D	S425D210042	272,185
ARP ESSER III Grant	84.425U	S425U210042	204,664
ESSER Supplemental	84.425U	S425U210042	257,269
Total Passed-Through Texas Education Agency			<u>778,163</u>
Total U.S. Department of Education			<u>1,237,895</u>
U.S. Department of Agriculture:			
<u>Passed-Through Texas Education Agency</u>			
School Breakfast Program	10.553	202222N109946	167,686
National School Lunch Program	10.555	202222N109946	677,624
Supply Chain Assistance Grant Award	10.555	6TX300400	22,077
Total Passed-Through Texas Education Agency			<u>867,387</u>
<u>Passed-Through Texas Department of Agriculture</u>			
National School Lunch Program			
NSLP - Commodities - Noncash Assistance	10.555		48,474
Total Passed-Through Texas Department of Agriculture			<u>48,474</u>
Total Child Nutrition Cluster			<u>915,861</u>
Total U.S. Department of Agriculture			<u>915,861</u>
Total Expenditures of Federal Awards			<u>\$ 2,153,756</u>

**ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022**

1. GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal award programs of Academy Independent School District. The District's reporting entity is defined in Note 1 of the basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. Awards are presented using the modified accrual basis of accounting. The District's significant account policies, including the modified accrual basis of accounting, are presented in Note 1 of the basic financial statements. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

3. PASS-THROUGH EXPENDITURES

None of the federal programs expended by the District were provided to sub-recipients.

4. INDIRECT COSTS

The District did not elect to apply the 10% de minimis indirect cost rate.