

ACADEMY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016**

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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, 2016 at a meeting of the Board of Trustees of such school district on the 25th day of January, 2017.

Signature of Board Secretary

Signature of Board President

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



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

Certified Public Accountants

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

MEMBERS:

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Academy Independent School District as of and for the year ended August 31, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Academy Independent School District as of August 31, 2016 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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2017, on our consideration of the Academy Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Academy Independent School District's internal control over financial reporting and compliance.

**ACADEMY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

In this section of the Annual Financial and Compliance Report, we, the managers of Academy Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2016. Please read it in conjunction with the independent auditors' report on pages 4 and 5, and the District's Basic Financial Statements which begin on page 12.

Financial Highlights

- The District's net position increased by \$193,511 as a result of this year's operations.
- During the year, the District had expenses that were \$11,734,519 compared to \$11,928,030 generated in tax and other revenues from governmental programs. This compares to last year when revenues were greater than expenses by \$1,048,707.
- Total cost of all of the District's programs increased by \$1,413,854 in the government funds or about 13%.
- The General Fund ended the year with a fund balance of \$2,943,497.
- The resources available for appropriation were \$641,101 less than budgeted for the General Fund.
- The District spent about \$750,000 out of the general fund for capital assets.
- The District spent about \$2.8 million out of the Capital Project Fund to finish construction projects.

Using This Report

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

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

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

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

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

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

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

Government-Wide Financial Analysis

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

Net assets of the District's governmental activities increased from \$7,366,831 to \$7,560,342. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$2,181,364 at August 31, 2016.

**Table I
Academy Independent School District**

Net Position

	Governmental Activities 2016	Governmental Activities 2015	Variance
Current and other assets	\$ 4,756,069	\$ 7,112,351	\$(2,356,282)
Capital assets	<u>26,986,303</u>	<u>24,009,645</u>	<u>2,976,658</u>
Total assets	31,742,372	31,121,996	620,376
Deferred outflows related to TRS	1,183,759	234,611	949,148
Long-term liabilities	21,692,151	22,724,773	(1,032,622)
Other liabilities	<u>3,522,959</u>	<u>1,019,821</u>	<u>2,503,138</u>
Total liabilities	25,215,110	23,744,594	1,470,516
Deferred inflows related to TRS	150,679	245,182	(94,503)
Net Position:			
Invested in capital assets net of related debt	4,602,170	1,488,150	3,114,020
Restricted	776,808	3,495,519	(2,718,711)
Unrestricted	<u>2,181,364</u>	<u>2,383,162</u>	<u>(201,798)</u>
Total net position	<u>\$7,560,342</u>	<u>\$ 7,366,831</u>	<u>\$ 193,511</u>

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

**Table II
Academy Independent School District**

Changes in Net Position

	Governmental Activities 2016	Governmental Activities 2015	Variance
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,199,332	\$ 1,149,177	\$ 50,155
Operating grants and contributions	1,380,273	1,066,788	313,485
General Revenues:			
Maintenance and operations taxes	3,235,071	3,109,208	125,863
Debt service taxes	973,332	1,316,078	(342,746)
State aid - formula grants	7,666,313	6,896,326	769,987
Grants and Contributions not restricted to specific functions	2,587	2,626	(39)
Investment Earnings	16,781	30,312	(13,531)
Miscellaneous	<u>33,946</u>	<u>58,225</u>	<u>(24,279)</u>
Total Revenues	<u>14,507,635</u>	<u>13,628,740</u>	<u>878,895</u>
Expenses:			
Instruction	7,519,931	6,618,087	901,844
Instructional Resources & Media Services	339,965	292,716	47,249
Curriculum & Staff Development	132,805	119,660	13,145
School Leadership	893,126	719,169	173,957
Guidance, Counseling & Evaluation Services	352,307	264,749	87,558
Health Services	102,402	48,541	53,861
Student (Pupil) Transportation	474,166	448,892	25,274
Food Services	669,132	552,241	116,891
Cocurricular/Extracurricular Activities	691,266	591,872	99,394
General Administration	558,903	527,444	31,459
Plant Maintenance and Operations	1,420,186	1,254,206	165,980
Security & Monitoring Service	13,844	11,844	2,000
Community Service	89	453	(364)
Debt Service	853,767	848,611	5,156
Payments to Fiscal Agent/Member Districts	<u>292,235</u>	<u>281,548</u>	<u>10,687</u>
Total Expenses	<u>14,314,124</u>	<u>12,580,033</u>	<u>1,734,091</u>
Changes in Net Position	193,511	1,048,707	(855,196)
Net Assets at Beginning of Year	7,366,831	7,226,230	140,601
Prior Period Adjustment	<u>-0-</u>	<u>(908,106)</u>	<u>908,106</u>
Net Position at End of Year	<u>\$7,560,342</u>	<u>\$7,366,831</u>	<u>\$ 193,511</u>

The District's total revenues reflected an increase of \$878,895 which is an increase of approximately 6.4% from the previous year. The total cost of all programs and services reflected an increase of \$1,734,091 which is an increase of approximately 13.8% from the previous year. Most of the increase in revenue is due to the increase in tax values and tax rates and an increase in state aid.

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

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

- The assessed/appraised value of property within the District for school tax purposes, increased by approximately 13 million or 4 percent over the previous year. This increase in value and decrease in tax rates contributed to a tax levy of about \$207,858 less than the year ended August 31, 2015.
- Do to increase in enrollment funding from the state increased.

The cost of all governmental activities in the changes in net position this year was \$14,314,124 compared to \$12,580,033 the previous year. However, as shown in Table II, the amount that our taxpayers ultimately financed for these activities through the local tax decrease by \$216,883.

The District's Funds

As the District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$3,875,795.

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

Capital Asset and Debt Administration

Capital Assets

As of August 31, 2016, the District had \$26,986,303, net of depreciation, invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

This year's major additions included:

Construction in Progress	\$2,669,217
Building Improvements	334,840
Vehicle	110,834
Furniture	<u>527,947</u>
	<u>\$3,642,838</u>

Debt

As of August 31, 2016, the district had long term liabilities which total \$21,692,151. This is a decrease of \$231,120 in long term liabilities from August 31, 2015.

Economic Factors and Next Year's Budgets and Rates

The tax rate for 16-17 is 1.3533, which is 1.04 for M & O and .3133 for Debt Services. This is the same from the prior year rate. State revenue is supposed to increase for the current enrollment. Enrollment continues to rise.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

ACADEMY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 4,321,065
1220 Property Taxes Receivable (Delinquent)	94,542
1230 Allowance for Uncollectible Taxes	(18,908)
1240 Due from Other Governments	356,067
1267 Due from Fiduciary Funds	2,188
1290 Other Receivables, net	2,115
Capital Assets:	
1510 Land	497,060
1520 Buildings, Net	25,397,618
1530 Furniture and Equipment, Net	633,253
1540 Vehicles, Net	344,962
1560 Library Books and Media, Net	113,410
1000 Total Assets	31,743,372
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	1,183,759
1700 Total Deferred Outflows of Resources	1,183,759
LIABILITIES	
2110 Accounts Payable	250,441
2150 Payroll Deductions & Withholdings	1,343
2160 Accrued Wages Payable	528,048
2180 Due to Other Governments	2,724
2200 Accrued Expenses	10,713
2300 Unearned Revenue	12,371
Noncurrent Liabilities	
2501 Due Within One Year	691,982
2502 Due in More Than One Year	21,692,151
2540 Net Pension Liability (District's Share)	2,025,337
2000 Total Liabilities	25,215,110
DEFERRED INFLOWS OF RESOURCES	
2601 Unavailable Revenue - Property Taxes	1,000
2605 Deferred Inflow Related to TRS	150,679
2600 Total Deferred Inflows of Resources	151,679
NET POSITION	
3200 Net Investment in Capital Assets	4,602,170
3850 Restricted for Debt Service	776,808
3900 Unrestricted	2,181,364
3000 Total Net Position	\$ 7,560,342

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, 2016

EXHIBIT B-1

Data	Program Revenues			Net (Expense)
Control	1	3	4	Revenue and
Codes	Expenses	Charges for	Operating	Changes in Net
		Services	Grants and	Position
			Contributions	Primary Gov.
				Governmental
				Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 7,519,931	\$ 798,686	\$ 671,825	\$ (6,049,420)
12 Instructional Resources and Media Services	339,965	-	25,130	(314,835)
13 Curriculum and Staff Development	132,805	-	8,063	(124,742)
23 School Leadership	893,126	94,679	63,388	(735,059)
31 Guidance, Counseling and Evaluation Services	352,307	7,574	69,779	(274,954)
33 Health Services	102,402	-	6,563	(95,839)
34 Student (Pupil) Transportation	474,166	-	21,236	(452,930)
35 Food Services	669,132	223,880	408,221	(37,031)
36 Extracurricular Activities	691,266	48,003	22,025	(621,238)
41 General Administration	558,903	-	29,229	(529,674)
51 Facilities Maintenance and Operations	1,420,186	26,510	54,814	(1,338,862)
52 Security and Monitoring Services	13,844	-	-	(13,844)
61 Community Services	89	-	-	(89)
72 Debt Service - Interest on Long Term Debt	852,267	-	-	(852,267)
73 Debt Service - Bond Issuance Cost and Fees	1,500	-	-	(1,500)
93 Payments related to Shared Services Arrangements	292,235	-	-	(292,235)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 14,314,124	\$ 1,199,332	\$ 1,380,273	\$ (11,734,519)

Data	General Revenues:		
Control			
Codes			
	Taxes:		
MT	Property Taxes, Levied for General Purposes		3,235,071
DT	Property Taxes, Levied for Debt Service		973,332
SF	State Aid - Formula Grants		7,666,313
GC	Grants and Contributions not Restricted		2,587
IE	Investment Earnings		16,781
MI	Miscellaneous Local and Intermediate Revenue		33,946
TR	Total General Revenues		11,928,030
CN	Change in Net Position		193,511
NB	Net Position - Beginning		7,366,831
NE	Net Position--Ending		\$ 7,560,342

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

ACADEMY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS					
1110 Cash and Cash Equivalents	\$ 2,703,628	\$ 795,013	\$ 438,034	\$ 384,390	\$ 4,321,065
1220 Property Taxes - Delinquent	74,306	20,236	-	-	94,542
1230 Allowance for Uncollectible Taxes (Credit)	(14,861)	(4,047)	-	-	(18,908)
1240 Receivables from Other Governments	311,238	-	-	44,829	356,067
1260 Due from Other Funds	481,353	3,000	-	3,552	487,905
1290 Other Receivables	1,614	501	-	-	2,115
1000 Total Assets	<u>\$ 3,557,278</u>	<u>\$ 814,703</u>	<u>\$ 438,034</u>	<u>\$ 432,771</u>	<u>\$ 5,242,786</u>
LIABILITIES					
2110 Accounts Payable	\$ 56,761	\$ -	\$ 174,000	\$ 19,680	\$ 250,441
2150 Payroll Deductions and Withholdings Payable	1,343	-	-	-	1,343
2160 Accrued Wages Payable	485,521	-	-	42,527	528,048
2170 Due to Other Funds	1,754	21,706	264,034	198,223	485,717
2180 Due to Other Governments	-	-	-	2,724	2,724
2200 Accrued Expenditures	8,957	-	-	1,756	10,713
2300 Unearned Revenues	-	-	-	12,371	12,371
2000 Total Liabilities	<u>554,336</u>	<u>21,706</u>	<u>438,034</u>	<u>277,281</u>	<u>1,291,357</u>
DEFERRED INFLOWS OF RESOURCES					
2601 Unavailable Revenue - Property Taxes	59,445	16,189	-	-	75,634
2600 Total Deferred Inflows of Resources	<u>59,445</u>	<u>16,189</u>	<u>-</u>	<u>-</u>	<u>75,634</u>
FUND BALANCES					
Restricted Fund Balance:					
3480 Retirement of Long-Term Debt	-	776,808	-	-	776,808
3600 Unassigned Fund Balance	2,943,497	-	-	155,490	3,098,987
3000 Total Fund Balances	<u>2,943,497</u>	<u>776,808</u>	<u>-</u>	<u>155,490</u>	<u>3,875,795</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,557,278</u>	<u>\$ 814,703</u>	<u>\$ 438,034</u>	<u>\$ 432,771</u>	<u>\$ 5,242,786</u>

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, 2016

Total Fund Balances - Governmental Funds	\$	3,875,795
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 \$36,397,025 and the accumulated depreciation was (\$12,387,380). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		1,488,150
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to decrease net position.		3,736,033
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of 2,025,337, a Deferred Resource Inflow related to TRS in the amount of \$150,679 and a Deferred Resource Outflow related to TRS in the amount of \$1,183,759. This amounted to a decrease in Net Position in the amount of \$992,257.		(992,257)
4 The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(666,180)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		118,801
19 Net Position of Governmental Activities	<u>\$</u>	<u>7,560,342</u>

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

ACADEMY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:					
5700 Total Local and Intermediate Sources	\$ 3,828,522	\$ 990,711	\$ 2,799	\$ 635,950	\$ 5,457,982
5800 State Program Revenues	7,671,627	510,373	-	88,813	8,270,813
5900 Federal Program Revenues	-	-	-	540,060	540,060
5020 Total Revenues	<u>11,500,149</u>	<u>1,501,084</u>	<u>2,799</u>	<u>1,264,823</u>	<u>14,268,855</u>
EXPENDITURES:					
Current:					
0011 Instruction	6,482,288	-	-	450,560	6,932,848
0012 Instructional Resources and Media Services	313,998	-	-	-	313,998
0013 Curriculum and Instructional Staff Development	120,942	-	-	-	120,942
0023 School Leadership	715,421	-	-	101,011	816,432
0031 Guidance, Counseling and Evaluation Services	263,762	-	-	56,716	320,478
0033 Health Services	94,454	-	-	-	94,454
0034 Student (Pupil) Transportation	488,366	-	-	-	488,366
0035 Food Services	-	-	-	631,551	631,551
0036 Extracurricular Activities	589,307	-	-	-	589,307
0041 General Administration	517,106	-	-	-	517,106
0051 Facilities Maintenance and Operations	1,339,729	-	-	33,819	1,373,548
0052 Security and Monitoring Services	13,844	-	-	-	13,844
0061 Community Services	-	-	-	89	89
Debt Service:					
0071 Principal on Long Term Debt	147,229	485,000	-	-	632,229
0072 Interest on Long Term Debt	9,584	886,850	-	-	896,434
0073 Bond Issuance Cost and Fees	-	1,500	-	-	1,500
Capital Outlay:					
0081 Facilities Acquisition and Construction	660,141	-	2,848,120	5,073	3,513,334
Intergovernmental:					
0093 Payments to Fiscal Agent/Member Districts of SSA	292,235	-	-	-	292,235
6030 Total Expenditures	<u>12,048,406</u>	<u>1,373,350</u>	<u>2,848,120</u>	<u>1,278,819</u>	<u>17,548,695</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(548,257)</u>	<u>127,734</u>	<u>(2,845,321)</u>	<u>(13,996)</u>	<u>(3,279,840)</u>
OTHER FINANCING SOURCES (USES):					
7913 Capital Leases	99,034	-	-	-	99,034
7914 Non-Current Loans	440,000	-	-	-	440,000
7915 Transfers In	-	-	9,048	11,584	20,632
8911 Transfers Out (Use)	(20,632)	-	-	-	(20,632)
7080 Total Other Financing Sources (Uses)	<u>518,402</u>	<u>-</u>	<u>9,048</u>	<u>11,584</u>	<u>539,034</u>
1200 Net Change in Fund Balances	(29,855)	127,734	(2,836,273)	(2,412)	(2,740,806)
0100 Fund Balance - September 1 (Beginning)	<u>2,973,352</u>	<u>649,074</u>	<u>2,836,273</u>	<u>157,902</u>	<u>6,616,601</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,943,497</u>	<u>\$ 776,808</u>	<u>\$ -</u>	<u>\$ 155,490</u>	<u>\$ 3,875,795</u>

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, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	(2,740,806)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to decrease net position.		3,736,033
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.		(666,180)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		44,648
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2015 caused the change in the ending net position to increase in the amount of \$191,435. Contributions made before the measurement but during the 2015 FY were also de-expended and recorded as a reduction in the net pension liability for the district. This also caused a decrease in the change in net position in the amount of \$170,117. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$201,502. The net result is to (decrease) the change in net position by \$(180,184).		(180,184)
Change in Net Position of Governmental Activities	\$	193,511

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

ACADEMY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2016

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 14,475	\$ 64,539
Total Assets	<u>14,475</u>	<u>\$ 64,539</u>
LIABILITIES		
Due to Other Funds	-	\$ 2,186
Due to Student Groups	-	62,354
Total Liabilities	<u>-</u>	<u>\$ 64,540</u>
NET POSITION		
Unrestricted Net Position	<u>14,475</u>	
Total Net Position	<u>\$ 14,475</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, 2016

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 11,460
Total Additions	<u>11,460</u>
DEDUCTIONS:	
Other Operating Costs	<u>11,600</u>
Total Deductions	<u>11,600</u>
Change in Net Position	(140)
Total Net Position - September 1 (Beginning)	<u>14,615</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 14,475</u></u>

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

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

As of August 31, 2016, Academy Independent School District retrospectively/prospectively applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

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

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

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

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

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

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

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

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

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

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

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

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

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

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Permanent Funds** – The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Proprietary Funds:

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

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

Fiduciary Funds:

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

E. OTHER ACCOUNTING POLICIES

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

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

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

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

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

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

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

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

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

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

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

The amount of state foundation revenue a school district earns for a year may vary until the time when final values for all factors in the state aid formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate for the year ended August 31, 2016 will change.

10. 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.

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

11. 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 item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Assets</u>
Land	\$ 497,060	\$ -0-	\$ 497,060	
Buildings and Improvements	16,463,624	8,207,032	8,256,592	
Furniture and Equipment	3,115,467	2,937,610	177,857	
Vehicles	1,558,583	1,242,738	315,845	
Books and Media	113,410	-0-	113,410	
Construction in Progress	<u>14,648,881</u>	<u>-0-</u>	<u>14,648,881</u>	
Change in Net Assets				<u>\$24,009,645</u>
<u>Long-term Liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			\$21,300,001	
Premium on Bonds Sold			763,270	
Loans Payable			33,224	
Maintenance Tax Notes			<u>425,000</u>	
Change in Net Assets				<u>(22,521,495)</u>
Net Adjustment to Net Assets				<u>\$ 1,488,150</u>

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

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

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

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current Year Capital Outlay</u>			
Buildings and Improvements	\$ 334,840	\$ -0-	\$ -0-
Furniture & Equipment	527,947	-0-	-0-
Vehicles	110,834	-0-	-0-
Construction in Progress	<u>2,669,217</u>	<u>-0-</u>	<u>-0-</u>
Total Capital Outlay	<u>3,642,838</u>	<u>3,642,838</u>	<u>3,642,838</u>
<u>Debt Principal Payments</u>			
Bond Principal	485,000	-0-	-0-
Loan Payment	<u>147,229</u>	<u>-0-</u>	<u>-0-</u>
	<u>632,229</u>	<u>632,229</u>	<u>632,229</u>
<u>New Financing</u>			
Loan	<u>539,034</u>	<u>-0-</u>	<u>-0-</u>
Total Capital Items	<u>539,034</u>	<u>(539,034)</u>	<u>(539,034)</u>
Total Adjustment to Net Position			<u>\$ 3,736,033</u>

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

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$44,331	\$ (44,331)	\$ -0-
Uncollected taxes(assumed collectible) from Current Year Levy	38,794	38,794	38,794
Uncollected Taxes (assumed collectible) from Prior Year Levy	35,840	-0-	35,840
Difference between Prior Years Estimated Delinquent Taxes Collectable and Actual Collection Rate	6,018	6,018	-0-
<u>Amortization of Bonds Premium</u>			
Amortization	<u>44,167</u>	<u>44,167</u>	<u>44,167</u>
Total		<u>\$ 44,648</u>	<u>\$ 118,801</u>

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

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

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

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

	August 31, 2016
	<u>Fund Balance</u>
Appropriated Budget Funds – Special Revenue Fund 459	\$ <u>155,490</u>

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended August 31, 2016, expenditures exceeded appropriations in a few functions. The negative variance in no way reflects a breakdown in control by management.

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

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

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

District Policies and Legal and Contractual Provisions Governing Investments

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

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and 4 national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. 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 not in substantial compliance with the requirements of the Act and with local policies. Funds were not secured during the months of September 2015, October 2015 and November 2015.

As of August 31, 2016, Academy Independent School District had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			<u>More Than 10</u>
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	
Certificates of Deposit	\$ 544,486	\$ 544,486	\$-0-	\$-0-	\$-0-
TexPool	1,027,236	1,027,236	-0-	-0-	-0-
TexStar	<u>1,177,133</u>	<u>1,177,133</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$2,748,855</u>	<u>\$2,748,855</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

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

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

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

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

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

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles, the hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Academy Independent School District has no investments measured at the Net Asset Value (NAV) per Share (or its equivalent).

B. PROPERTY TAXES

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

C. DELINQUENT TAXES RECEIVABLE

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

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

D. INTERFUND RECEIVABLES AND PAYABLE

Interfund balances at August 31, 2016 consisted of the following individual fund balances:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
Trust and Agency Fund	\$ 2,186	\$ -0-
Debt Service Fund	21,706	-0-
Special Revenue Fund	193,427	1,755
Capital Projects Fund	<u>264,034</u>	<u>-0-</u>
	<u>481,353</u>	<u>1,755</u>
Special Revenue Funds:		
General Fund	1,755	193,427
Special Revenue Fund	1,797	1,797
Debt Service Fund	<u>-0-</u>	<u>3,000</u>
	<u>3,552</u>	<u>198,224</u>
Debt Service Fund:		
Special Revenue Fund	-0-	21,706
General Fund	<u>3,000</u>	<u>-0-</u>
	<u>3,000</u>	<u>21,706</u>
Capital Project Fund:		
General Fund	<u>-0-</u>	<u>264,034</u>
Trust and Agency Fund:		
General Fund	<u>-0-</u>	<u>2,186</u>
TOTAL	<u>\$487,905</u>	<u>\$487,905</u>

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2016 was as follows:

	Primary Government				
	<u>Balance 09/01/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclassifications</u>	<u>Balance 08/31/16</u>
Governmental Activities:					
Land	\$ 497,060	\$ -0-	\$ -0-	\$ -0-	\$ 497,060
Buildings and Improvements	16,463,624	334,840	-0-	17,318,098	34,116,562
Furniture and Equipment	3,115,467	527,947	-0-	-0-	3,643,414
Vehicles	1,558,583	110,834	-0-	-0-	1,669,417
Construction in Progress	14,648,881	2,669,217	-0-	(17,318,098)	-0-
Books and Media	<u>113,410</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>113,410</u>
Totals at Historic Cost	<u>36,397,025</u>	<u>3,642,838</u>	<u>-0-</u>	<u>-0-</u>	<u>40,039,863</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(8,207,032)	(511,912)	-0-	-0-	(8,718,944)
Furniture and Equipment	(2,937,610)	(72,551)	-0-	-0-	(3,010,161)
Vehicles	<u>(1,242,738)</u>	<u>(81,717)</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,324,455)</u>
Total Accumulated Depreciation	<u>(12,387,380)</u>	<u>(666,180)</u>	<u>-0-</u>	<u>-0-</u>	<u>(13,053,560)</u>
Governmental Activities Capital Assets, Net	<u>\$24,009,645</u>	<u>\$ 2,976,658</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$26,986,303</u>

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

Depreciation expense was charged to governmental functions as follows:

Instruction	\$321,490
Instructional Resources & Media Services	14,196
Curriculum and Instructional Staff Development	5,653
School Leadership	41,160
Guidance, Counseling & Evaluation Services	16,440
Health Services	4,362
Student (Pupil) Transportation	87,698
Food Services	20,898
Cocurricular/Extracurricular Activities	89,490
General Administration	25,583
Plant Maintenance and Operations	<u>39,210</u>

Total Depreciation Expense \$666,180

F. BONDS PAYABLE

A summary of changes in bonds payable for the year ended August 31, 2016 is as follows:

<u>DESCRIPTION</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Interest Current Year</u>	<u>Payable Amounts Outstanding 09/01/15</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 08/31/16</u>
Unlimited Tax Refunding Bonds							
Series 2012	2-3%	\$ 5,279,998	\$ 135,700	\$ 4,730,000	\$ -0-	\$ 305,000	\$ 4,425,000
Unlimited Tax School Building Bonds							
Series 2013	2-5%	<u>16,985,000</u>	<u>751,150</u>	<u>16,570,000</u>	<u>-0-</u>	<u>180,000</u>	<u>16,390,000</u>
Total			<u>\$886,850</u>	<u>\$21,300,000</u>	<u>\$ -0-</u>	<u>\$ 485,000</u>	<u>\$20,815,000</u>

Debt service requirements for bonds payable are as follows:

Year Ended August 31,	<u>General Obligations</u>		Total Requirements
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 565,000	\$ 875,350	\$ 1,440,350
2018	655,000	861,550	1,516,550
2019	675,000	841,900	1,516,900
2020	695,000	818,200	1,513,200
2021	720,000	793,800	1,513,800
2022-2026	3,985,000	3,591,475	7,576,475
2027-2031	4,740,000	2,830,900	7,570,900
2032-2036	5,960,000	1,610,225	7,570,225
2027-2041	<u>2,820,000</u>	<u>213,250</u>	<u>3,033,250</u>
Total	<u>\$20,815,000</u>	<u>\$12,436,650</u>	<u>\$33,251,650</u>

ACADEMY INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(Continued)
YEAR ENDED AUGUST 31, 2016**

G. CAPITAL LEASE AND LOAN

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

SCHEDULE OF CAPITAL LEASES AND LOAN

<u>Date of Issue</u>	<u>Purpose</u>	<u>Interest Rate Payable</u>	<u>Interest Current Year</u>	<u>Amounts Outstanding 09/01/15</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 08/31/16</u>
2/14/14	Bus	3.660%	\$ 1,172	\$ 33,224	\$ -0-	\$33,224	\$ -0-
09/30/15	Bus	3.700%	325	-0-	99,034	34,005	65,029
06/30/16	Time Warrants	1.930%	-0-	-0-	440,000	-0-	440,000
04/21/15	Tax Notes	1.560%	<u>8,086</u>	<u>425,000</u>	<u>-0-</u>	<u>80,000</u>	<u>345,000</u>
			<u>\$9,583</u>	<u>\$458,224</u>	<u>\$539,034</u>	<u>\$147,229</u>	<u>\$850,029</u>

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 126,982	\$16,524	\$ 143,506
2018	128,047	12,820	140,867
2019	95,000	10,077	105,077
2020	100,000	8,519	108,519
2021	75,000	6,996	81,996
2022-2026	<u>325,000</u>	<u>12,690</u>	<u>337,690</u>
	<u>\$ 850,029</u>	<u>\$67,626</u>	<u>\$917,655</u>

H. ACCUMULATED SICK LEAVE AND PERSONAL DAYS

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

Possible Retiree Benefit	<u>\$161,685</u>
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I. DEFINED BENEFIT PENSION PLAN

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

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

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$163,887,375,172
Less: Plan Fiduciary Net Position	<u>(128,538,706,212)</u>
Net Pension Liability	<u>\$35,348,668,960</u>
 Net Position as percentage of Total Pension Liability	 78.43%

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
 Academy ISD 2015 Employer Contributions	 \$ 191,435	
Academy ISD 2015 Member Contributions	\$ 559,383	
Academy ISD 2015 NECE On-Behalf Contributions	\$ 398,416	

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

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).

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

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

In addition to the employer contributions listed above, 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.
- When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions. The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best- estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Edge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Sable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Alpha	0%		1.0%
Total	<u>100%</u>		<u>8.7%</u>

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Academy's proportionate share of the net pension liability:	\$3,173,322	\$2,025,337	\$1,069,138

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

Pension Liabilities, Pension Expense, and Deferred Overflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, Academy Independent School District reported a liability of \$2,025,337 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	\$2,025,337
State's proportionate share that is associated with the District	<u>4,754,849</u>
Total	<u>\$6,780,186</u>

The net pension liability was measured as of August 31, 2015 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, 2014 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was .0057296%. which was an increase of 0.0027290% from its proportion measured as of August 31, 2014.

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

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items such as actuarial gains and losses by source.

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

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

For the measurement period August 31, 2015, Academy Independent School District recognized pension expense of \$677,490 and revenue of \$677,490 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 10,309	\$ 77,836
Changes in actuarial assumptions	43,329	72,255
Difference between projected and actual investment earnings	315,066	-0-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>623,620</u>	<u>588</u>
Total as of August 31, 2015 measurement date	\$992,324	\$150,679
Contributions paid to TRS subsequent to the measurement date	<u>191,435</u>	<u>-0-</u>
Total	<u>\$1,183,759</u>	<u>\$150,679</u>

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

Year ended August 31:	Pension Expense Amount
2017	\$154,426
2018	\$154,426
2019	\$154,426
2020	\$215,668
2021	\$ 90,328
Thereafter	\$ 72,371

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

Long-Term Liability Disclosure

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	<u>\$801,502</u>	<u>\$1,393,490</u>	<u>\$169,655</u>	<u>\$2,025,337</u>

J. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

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

K. HEALTH CARE COVERAGE

During the year ended August 31, 2016, employees of Academy Independent School District were covered by a health insurance plan (the “Plan”). The District paid premiums of \$225 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

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

L. DEFERRED INFLOW OF REVENUE

Deferred inflow of revenue at August 31, 2016 consisted of the following:

	General <u>Fund</u>	Debt Service <u>Fund</u>	Special Revenue <u>Fund</u>	<u>Total</u>
Unavailable Revenue-Property Taxes	<u>\$58,445</u>	<u>\$ 16,189</u>	<u>\$-0-</u>	<u>\$74,634</u>

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

M. UNEARNED REVENUE

Unearned revenue at August 31, 2016 consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Food Service	\$ -0-	\$ -0-	\$11,844	\$11,844
Advance Placement Awards	<u>-0-</u>	<u>-0-</u>	<u>527</u>	<u>527</u>
Total Inflow of Revenue	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>12,371</u>	\$ <u>12,371</u>

N. DUE FROM OTHER GOVERNMENTS

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

<u>FUND</u>	<u>STATE ENTITLEMENTS</u>	<u>FEDERAL GRANTS</u>	<u>TOTAL</u>
General Fund	\$ 311,238	\$ -0-	\$311,238
Special Revenue	<u>29,205</u>	<u>15,624</u>	<u>44,829</u>
	\$ <u>340,443</u>	\$ <u>15,624</u>	\$ <u>356,067</u>

O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Property Taxes	\$3,230,805	\$ 977,108	\$ -0-	\$ -0-	\$4,207,913
Penalties, Interest and Other					
Tax-related Income	25,642	8,316	-0-	-0-	33,958
Investment Income	9,285	4,180	2,799	515	16,779
Tuition and Fees	56,244	-0-	-0-	-0-	56,244
Food Sales	-0-	-0-	-0-	223,880	223,880
Co-curricular Student Activities	48,003	-0-	-0-	-0-	48,003
Shared Service Arrangements	300,324	-0-	-0-	411,555	711,879
Other	<u>158,219</u>	<u>1,107</u>	<u>-0-</u>	<u>-0-</u>	<u>159,326</u>
Total	\$ <u>3,828,522</u>	\$ <u>990,711</u>	\$ <u>2,799</u>	\$ <u>635,950</u>	\$ <u>5,457,982</u>

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

P. PARTICIPATION IN PUBLIC ENTITY RISK POOL

Workers' Compensation Aggregate Deductible

During the year ended August 31, 2016 Academy Independent School District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

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

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2015, the Fund carries a discounted reserve of \$58,364,326 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2016 the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015, are available on the TASB Risk Management Fund website and have been filed with the Tax Department of Insurance in Austin.

Auto, Liability, and/or Property Programs

During the year ended August 31, 2016, Academy Independent School District participated in the following TASB Risk Management Fund (the Fund) programs:

Auto Liability
Auto Physical Damage
General Liability Legal Liability Property

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

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2016, the Fund anticipates that Academy Independent School District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2014, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

Unemployment Compensation Pool

During the year ended August 31, 2016 Academy Independent School District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2016 the Fund anticipates that Academy Independent School District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2014, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Q. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2016 were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:				
General Fund	\$59,445	\$311,238	\$ 1,614	\$372,297
Debt Service Fund	16,189	-0-	501	16,690
Nonmajor Governmental Activities	<u>-0-</u>	<u>44,829</u>	<u>-0-</u>	<u>44,829</u>
Total Deferred Revenue	<u>\$75,634</u>	<u>\$356,067</u>	<u>\$ 2,115</u>	<u>\$433,816</u>

Amounts not scheduled for collection during the subsequent year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
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Payables at August 31, 2016 were as follows:

	<u>Accounts Payable</u>	<u>Salaries And Benefits</u>	<u>Due to Other Governments</u>	<u>Accrued Expenditures</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$56,761	\$ 486,864	\$ -0-	\$ 8,957	\$ 552,582
Nonmajor Governmental Activities	<u>19,680</u>	<u>442,527</u>	<u>2,724</u>	<u>1,756</u>	<u>466,687</u>
Totals Governmental Activities	<u>\$76,441</u>	<u>\$ 929,391</u>	<u>\$ 2,724</u>	<u>\$10,713</u>	<u>\$1,019,269</u>

Amounts not scheduled for payment during the subsequent year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
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ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

R. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Accrued Interest at 08/31/16</u>	<u>Unamortized Bond Premium at 08/31/16</u>
Governmental Activities:							
Bonds and Notes Payable:							
Unlimited Tax School Building Bonds, Series 2003	16,570,000	\$ -0-	180,000	16,390,000	250,000	\$-0-	\$416,027
Unlimited Tax Refunding Bonds, Series 2012	4,730,000	-0-	305,000	4,425,000	315,000	-0-	303,076
Maintenance Tax Notes Series 2015	425,000	-0-	80,000	345,000	85,000	-0-	-0-
Time Warrants	-0-	440,000	-0-	440,000	10,000	-0-	-0-
Capital Leases	<u>33,224</u>	<u>99,034</u>	<u>67,229</u>	<u>65,029</u>	<u>31,982</u>	-0-	-0-
Total Government Activities							
Long-Term Liabilities	<u>\$21,758,224</u>	<u>\$539,034</u>	<u>\$632,229</u>	<u>\$21,665,029</u>	<u>\$691,982</u>	<u>\$-0-</u>	<u>\$719,103</u>

S. DEFINED BENEFIT PENSION PLAN

Medicare Part D – On-behalf Payments. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments of \$ 32,631, \$29,188, and \$17,538, were recognized for the year ended August 31, 2016, 2015, and 2014, as equal revenues and expenditures.

T. FUND BALANCE NOTE

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

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

1. **Nonspendable Fund Balance** - includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid accounts. It also includes the long-term amount of the loans and notes receivable.
2. **Restricted Fund Balance** - includes amounts that cannot that are restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision of enabling legislations.
3. **Committed Fund Balance** – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District’s Board of Trustees. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

ACADEMY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

YEAR ENDED AUGUST 31, 2016

4. Assigned Fund Balance – includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Board or by other officials to which the Board has delegated the authority to assign amounts to be used for specific purposes. When it is appropriate for fund balance to be assigned, the Board delegates the responsibility to assign funds to the superintendent or his/her designees.
5. Unassigned Fund Balance – is the residual classification for the general fund. The classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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

U. DEFEASED DEBT

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

REQUIRED SUPPLEMENTARY INFORMATION

ACADEMY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 3,414,400	\$ 4,509,832	\$ 3,828,522	\$ (681,310)
5800	State Program Revenues	6,926,691	7,631,419	7,671,627	40,208
5020	Total Revenues	10,341,091	12,141,250	11,500,149	(641,101)
EXPENDITURES:					
Current:					
0011	Instruction	5,925,561	6,359,058	6,482,288	(123,230)
0012	Instructional Resources and Media Services	287,922	313,097	313,998	(901)
0013	Curriculum and Instructional Staff Development	112,768	126,818	120,942	5,876
0023	School Leadership	666,963	721,487	715,421	6,066
0031	Guidance, Counseling and Evaluation Services	250,768	268,539	263,762	4,777
0033	Health Services	44,155	94,254	94,454	(200)
0034	Student (Pupil) Transportation	276,880	389,275	488,366	(99,091)
0036	Extracurricular Activities	483,636	585,359	589,307	(3,948)
0041	General Administration	490,068	513,131	517,106	(3,975)
0051	Facilities Maintenance and Operations	1,243,534	1,341,878	1,339,729	2,149
0052	Security and Monitoring Services	13,600	13,844	13,844	-
Debt Service:					
0071	Principal on Long Term Debt	152,306	152,306	147,229	5,077
0072	Interest on Long Term Debt	4,716	4,716	9,584	(4,868)
Capital Outlay:					
0081	Facilities Acquisition and Construction	100	1,119,774	660,141	459,633
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	285,743	292,243	292,235	8
6030	Total Expenditures	10,238,720	12,295,779	12,048,406	247,373
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	102,371	(154,529)	(548,257)	(393,728)
OTHER FINANCING SOURCES (USES):					
7913	Capital Leases	-	-	99,034	99,034
7914	Non-Current Loans	-	-	440,000	440,000
8911	Transfers Out (Use)	-	-	(20,632)	(20,632)
7080	Total Other Financing Sources (Uses)	-	-	518,402	518,402
1200	Net Change in Fund Balances	102,371	(154,529)	(29,855)	124,674
0100	Fund Balance - September 1 (Beginning)	2,973,352	2,973,352	2,973,352	-
3000	Fund Balance - August 31 (Ending)	\$ 3,075,723	\$ 2,818,823	\$ 2,943,497	\$ 124,674

ACADEMY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 972,512	\$ 972,512	\$ 990,711	\$ 18,199
5800	State Program Revenues	429,572	429,572	510,373	80,801
5020	Total Revenues	1,402,084	1,402,084	1,501,084	99,000
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	485,000	485,000	485,000	-
0072	Interest on Long Term Debt	886,850	886,850	886,850	-
0073	Bond Issuance Cost and Fees	-	-	1,500	(1,500)
6030	Total Expenditures	1,371,850	1,371,850	1,373,350	(1,500)
1200	Net Change in Fund Balances	30,234	30,234	127,734	97,500
0100	Fund Balance - September 1 (Beginning)	649,074	649,074	649,074	-
3000	Fund Balance - August 31 (Ending)	\$ 679,308	\$ 679,308	\$ 776,808	\$ 97,500

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, 2016

EXHIBIT G-3

	2016	2015
District's Proportion of the Net Pension Liability (Asset)	-0-	-0-
District's Proportionate Share of Net Pension Liability (Asset)	\$ -0-	\$ -0-
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	-0-	-0-
Total	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ -0-	\$ -0-
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	-0-	-0-
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	-0-	-0-

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

ACADEMY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2016

EXHIBIT G-4

	2016	2015
Contractually Required Contribution	\$ -0-	\$ -0-
Contribution in Relation to the Contractually Required Contribution	-0-	-0-
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ -0-	\$ -0-
Contributions as a Percentage of Covered-Employee Payroll	-0-	-0-

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

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

ACADEMY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2016

Changes of benefit terms.

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

Changes of assumptions.

The following are changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

COMBINING SCHEDULES

ACADEMY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	331 SSA - Career & Technical - Basic Grant	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds	459 Other SSA Special Revenue Funds	Total Nonmajor Governmental Funds	
ASSETS										
1110	Cash and Cash Equivalents	\$ 82,931	\$ 26,624	\$ 6,205	\$ 4,125	\$ -	\$ 83,012	\$ 527	\$ 180,966	\$ 384,390
1240	Receivables from Other Governments	8,959	14,426	1,694	4,126	-	15,624	-	-	44,829
1260	Due from Other Funds	1,926	300	-	-	-	-	1,326	-	3,552
1000	Total Assets	<u>\$ 93,816</u>	<u>\$ 41,350</u>	<u>\$ 7,899</u>	<u>\$ 8,251</u>	<u>\$ -</u>	<u>\$ 98,636</u>	<u>\$ 527</u>	<u>\$ 182,292</u>	<u>\$ 432,771</u>
LIABILITIES										
2110	Accounts Payable	\$ -	\$ 19,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,680
2160	Accrued Wages Payable	8,171	8,083	1,543	3,757	-	-	20,973	-	42,527
2170	Due to Other Funds	83,723	-	6,205	4,126	-	98,636	-	5,533	198,223
2180	Due to Other Governments	1,134	1,590	-	-	-	-	-	-	2,724
2200	Accrued Expenditures	788	153	151	368	-	-	296	-	1,756
2300	Unearned Revenues	-	11,844	-	-	-	-	527	-	12,371
2000	Total Liabilities	<u>93,816</u>	<u>41,350</u>	<u>7,899</u>	<u>8,251</u>	<u>-</u>	<u>98,636</u>	<u>527</u>	<u>26,802</u>	<u>277,281</u>
FUND BALANCES										
3600	Unassigned Fund Balance	-	-	-	-	-	-	-	155,490	155,490
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,490</u>	<u>155,490</u>
4000	Total Liabilities and Fund Balances	<u>\$ 93,816</u>	<u>\$ 41,350</u>	<u>\$ 7,899</u>	<u>\$ 8,251</u>	<u>\$ -</u>	<u>\$ 98,636</u>	<u>\$ 527</u>	<u>\$ 182,292</u>	<u>\$ 432,771</u>

ACADEMY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	211	240	255	331	397	410	429	459	Total
	ESEA I, A Improving Basic Program	National Breakfast and Lunch Program	ESEA II, A Training and Recruiting	SSA - Career & Technical - Basic Grant	Advanced Placement Incentives	State Textbook Fund	Other State Special Revenue Funds	Other SSA Special Revenue Funds	Nonmajor Governmental Funds
REVENUES:									
5700 Total Local and Intermediate Sources	\$ 78	\$ 223,879	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 411,993	\$ 635,950
5800 State Program Revenues	-	18,375	-	-	-	51,845	-	18,593	88,813
5900 Federal Program Revenues	106,247	367,541	19,022	47,250	-	-	-	-	540,060
5020 Total Revenues	<u>106,325</u>	<u>609,795</u>	<u>19,022</u>	<u>47,250</u>	<u>-</u>	<u>51,845</u>	<u>-</u>	<u>430,586</u>	<u>1,264,823</u>
EXPENDITURES:									
Current:									
0011 Instruction	106,236	-	19,022	-	-	51,845	-	273,457	450,560
0023 School Leadership	-	-	-	-	-	-	-	101,011	101,011
0031 Guidance, Counseling and Evaluation Services	-	-	-	47,250	-	-	-	9,466	56,716
0035 Food Services	-	631,551	-	-	-	-	-	-	631,551
0051 Facilities Maintenance and Operations	-	-	-	-	-	-	-	33,819	33,819
0061 Community Services	89	-	-	-	-	-	-	-	89
Capital Outlay:									
0081 Facilities Acquisition and Construction	-	-	-	-	-	-	-	5,073	5,073
6030 Total Expenditures	<u>106,325</u>	<u>631,551</u>	<u>19,022</u>	<u>47,250</u>	<u>-</u>	<u>51,845</u>	<u>-</u>	<u>422,826</u>	<u>1,278,819</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(21,756)	-	-	-	-	-	7,760	(13,996)
OTHER FINANCING SOURCES (USES):									
7915 Transfers In	-	11,584	-	-	-	-	-	-	11,584
1200 Net Change in Fund Balance	-	(10,172)	-	-	-	-	-	7,760	(2,412)
0100 Fund Balance - September 1 (Beginning)	-	10,172	-	-	-	-	-	147,730	157,902
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,490</u>	<u>\$ 155,490</u>

REQUIRED TEA SCHEDULES

ACADEMY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(1) Tax Rates		(3) Assessed/Appraised Value for School Tax Purposes	(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
	Maintenance	Debt Service							
2007 and prior years	Various	Various	\$ 162,701,873	\$ 13,159	\$ -	\$ -	\$ -	\$ (2,045)	\$ 11,114
2008	1.039400	0.120000	176,753,643	1,144	-	-	-	-	1,144
2009	1.040000	0.117300	202,393,885	1,798	-	-	-	-	1,798
2010	1.040000	0.117300	221,950,213	2,039	-	34	4	-	2,001
2011	1.040000	0.134000	231,713,731	2,147	-	176	23	-	1,948
2012	1.040000	0.134000	245,195,341	4,112	-	1,159	149	403	3,207
2013	1.040000	0.122800	265,011,279	4,386	-	1,680	198	378	2,886
2014	1.040000	0.500000	272,314,038	13,314	-	4,880	2,346	467	6,555
2015	1.040000	0.441600	299,610,899	50,587	-	23,643	10,039	(1,509)	15,396
2016 (School year under audit)	1.040000	0.313300	312,677,145	-	4,231,460	3,199,241	964,351	(19,375)	48,493
1000 TOTALS				\$ 92,686	\$ 4,231,460	\$ 3,230,813	\$ 977,110	\$ (21,681)	\$ 94,542

ACADEMY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 539,000	\$ 539,000	\$ 223,879	\$ (315,121)
5800 State Program Revenues	-	15,156	18,375	3,219
5900 Federal Program Revenues	-	-	367,541	367,541
5020 Total Revenues	<u>539,000</u>	<u>554,156</u>	<u>609,795</u>	<u>55,639</u>
EXPENDITURES:				
0035 Food Services	<u>547,600</u>	<u>562,756</u>	<u>631,551</u>	<u>(68,795)</u>
6030 Total Expenditures	<u>547,600</u>	<u>562,756</u>	<u>631,551</u>	<u>(68,795)</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,600)	(8,600)	(21,756)	(13,156)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	<u>-</u>	<u>-</u>	<u>11,584</u>	<u>11,584</u>
1200 Net Change in Fund Balances	(8,600)	(8,600)	(10,172)	(1,572)
0100 Fund Balance - September 1 (Beginning)	<u>10,172</u>	<u>10,172</u>	<u>10,172</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,572</u>	<u>\$ 1,573</u>	<u>\$ -</u>	<u>\$ (1,573)</u>

FEDERAL AWARDS SECTION



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

Certified Public Accountants

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

MEMBERS:

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Academy Independent School District, as of and for the year ended August 31, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Academy Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs.

Response to Findings

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

Purpose of this Report

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

Waco, Texas
January 20, 2017

ACADEMY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016

I. Summary of the Auditor's Results:

- a. The type of report issued on the basic financial statements of the Academy Independent School District was an unmodified opinion.
- b. There were no significant deficiencies in internal control disclosed by the audit of the basic financial statements.
- c. Noncompliance disclosed by the audit of the basic financial statements were:
 - (1) When comparing actual expenses to the budget, it was noted that several functions exceeded the budget. This was mainly due reclassification of expenses between function.
 - (2) Funds were not properly secured with FDIC coverage and pledged security. This occurred during the months September 2015 to November 2015. The under pledged amounts ranged from \$677,365 to \$1,750,899.
- d. There were no significant deficiencies in internal control over major programs disclosed by the audit of the basic financial statements.
- e. The type of report on compliance with major programs was an unqualified opinion.
- f. There were no material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program disclosed by the audit of the basic financial statements
- g. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- h. The District qualified as a low-risk auditee.

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

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

ACADEMY INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(continued)
FOR THE YEAR ENDED AUGUST 31, 2016**

2. Condition: We identified instances in which the school funds were not properly secured with pledged securities and FDIC Coverage.
- Criteria: Funds should always be secured.
- Cause: Cash balances to be under insured.
- Effect: There were cash balances that could have been lost if the bank had failed.
- Recommendation: Better monitor the balances to insure adequate securities pledged.
- Management Response: We will work with the bank to better monitor balances to insure funds are properly protected.

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

None

ACADEMY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2016

<u>Findings/Noncompliance</u>	<u>Status of Prior Year's Finding/Noncompliance</u>
Budget not amended to property cover expenses	This exist still

ACADEMY INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2016

<u>Findings/Noncompliance</u>	<u>Corrective Action Plan</u>
Expenses exceeded budget amounts.	The District will better monitor expenses in the various funds to make sure excess expenses are moved and budgeted for.
Cash was not secured.	The District will work closely with the bank to better monitor balances.

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