

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2016

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CERTIFICATE OF BOARD

Fort Sam Houston Independent School District Bexar 015914
Name of School District County Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved _____ disapproved for the year ended August 31, 2016 at a meeting of the Board of Trustees of such school district on the 6 of December, 2016.

Jeanne Warren
Signature of Board Secretary

Eustace Lewis, PhD
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)

COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

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LUNDALE, TEXAS 78015305

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Independent Auditor's Report

To the Board of Trustees of
Fort Sam Houston Independent School District
4005 Winans Road
San Antonio, Texas 78234

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fort Sam Houston 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 Fort Sam Houston Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fort Sam Houston 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, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, and schedule of District contributions on pages 7-13 and 49-51 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 Fort Sam Houston Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis 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*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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. 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016, on our consideration of the Fort Sam Houston 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 the Fort Sam Houston Independent School District's internal control over financial reporting and compliance.

Coleman, Horton, & Company, LLP

Certified Public Accountants
Uvalde, Texas
November 18, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The annual financial report of Fort Sam Houston Independent School District (the District) is presented in six sections, management's discussion and analysis (this part), basic financial statements, required supplementary information, combining and other statements, required TEA supplementary information, and federal section. This section of the District's annual financial report presents our discussion and analysis of the financial performance during the year ending August 31, 2016. Please read it in conjunction with the District's financial section, which follows.

Overview of the Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the District:

- * The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- * The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
- * The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- * *Proprietary fund* statements provide information about services provided to parties inside the District. The proprietary funds include the internal service fund (District's workers' compensation fund activity).
- * *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required TEA supplementary information* that further explains and supports the information in the financial statements.

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

- * *Proprietary funds* - Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.
 - * We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities - such as the District's Workers' Compensation Fund.

- * *Fiduciary funds*-The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Financial Highlights

- * The District's combined net position was \$59,158,390 at August 31, 2016, an increase of \$1,744,651 from day to day operations and an increase of \$166,003 for a prior period adjustment.(See Note V).

* For the year, the District's revenues were \$28,315,610 as reflected below:

		<u>Governmental Activities</u>	
		<u>Current Period</u>	<u>Prior Year</u>
a)	State Aid	\$ 12,301,614	\$ 11,495,857
b)	Federal Aid	13,291,470	15,237,574
c)	Investment Earnings	43,066	11,827
d)	Charges for Services	413,902	382,725
e)	Extraordinary Item	514,566	-
f)	Other	<u>1,750,992</u>	<u>1,552,677</u>
	Total	<u>\$ 28,315,610</u>	<u>\$ 28,680,660</u>

* During the year, the District's expenses were \$26,570,959 as reflected below:

		<u>Governmental Activities</u>	
		<u>Current Period</u>	<u>Prior Year</u>
a)	Instruction and instructional related	\$ 15,223,530	\$ 13,934,543
b)	Instructional leadership/school leadership	2,069,792	1,882,423
c)	Guidance, social work, health, transportation	1,832,176	1,865,573
d)	Food services	865,016	799,060
e)	Extracurricular activities	714,316	730,535
f)	General administration	1,171,299	1,158,281
g)	Plant maintenance and security	2,532,327	2,275,963
h)	Data processing services	1,090,529	1,046,848
i)	Community services	138	-
j)	Payments to fiscal agent/member districts - shared service	<u>1,071,836</u>	<u>1,032,561</u>
	Total Expenses	<u>\$ 26,570,959</u>	<u>\$ 24,725,787</u>

* The general fund reported a fund balance for the year of \$13,723,511, a decrease of \$622,370 from the prior year.

* The capital projects fund reported a fund balance for the year of \$159,836, an increase of \$736,165 from the prior year.

* The District's combined net position was \$59,158,390 at August 31, as reflected below:

	<u>Governmental Activities</u>	
	<u>Current Period</u>	<u>Prior Year</u>
Assets:		
Current and other assets	\$ 15,677,545	\$ 18,333,647
Capital and non-current assets	<u>46,468,089</u>	<u>44,391,609</u>
Total Assets	<u>\$ 62,145,634</u>	<u>\$ 62,725,256</u>
Deferred Outflows	<u>\$ 2,665,755</u>	<u>\$ 135,391</u>
Liabilities:		
Current liabilities	\$ 1,685,998	\$ 4,462,443
Long term liabilities	<u>3,709,405</u>	<u>936,026</u>
Total Liabilities	<u>\$ 5,395,403</u>	<u>\$ 5,398,469</u>
Deferred Inflows	<u>\$ 257,596</u>	<u>\$ 214,442</u>
Net position:		
Net investment in capital assets	\$ 46,627,925	\$ 44,391,609
Restricted	57,020	75,538
Unrestricted	<u>12,473,445</u>	<u>12,780,589</u>
Total Net Position	<u>\$ 59,158,390</u>	<u>\$ 57,247,736</u>

* State aid increased for the year by \$805,757.

* Federal aid decreased for the year by \$1,946,104.

* The general fund transferred \$73,399 to supplement the Child Nutrition Program, \$3,145,759 to capital projects funds, and \$96,199 to the internal service fund.

* Special revenue transferred \$11,083 to the general fund.

Capital Assets and Debt Administration

Capital Projects Funds

In June 2015, the District awarded a \$3.75 million construction contract for a new music building to be built at Robert G. Cole Middle/High School. Funding for the project is from a \$2.64 million grant through Impact Aid and the remaining funds are from the District's committed fund balance reserves for construction. The project was substantially completed in August 2016.

In the spring of 2016, the District began the design phase to renovate the Robert G. Cole Athletic Stadium. Preliminary discussions also began on renovating the Moseley Gym Facility, which includes the area that formerly housed the music program. Funding for those projects will be comprised of a combination of Impact Aid construction grants and the District's committed fund balance reserves for construction. Construction on the stadium renovation is expected to start in December 2016.

The total amount committed for construction at the end of 2016 is \$3,500,000.

Capital Assets

Capital assets for the District at the end of the fiscal year August 31, 2016 amounted to \$46,468,089. It is the District's policy to charge off as a current expenditure any purchases less than \$5,000. The total capital assets recorded were land and its improvements, buildings, equipment and vehicles as reflected below:

	<u>Governmental Activities</u>	
	<u>Current Year</u>	<u>Prior Year</u>
Buildings and improvements	\$ 72,618,791	\$ 67,396,675
Furniture and equipment	4,182,674	4,004,477
Construction in progress	-	684,107
Totals at historical cost	76,801,465	72,085,259
Total accumulated depreciation	<u>(30,333,376)</u>	<u>(27,693,650)</u>
Net capital assets	<u>\$ 46,468,089</u>	<u>\$ 44,391,609</u>

Long-term Liabilities

The District’s long-term liabilities are compensated absences in the amount of \$244,953.

District’s Long Term Liabilities

	<u>Governmental Activities</u>	
	<u>Current Year</u>	<u>Prior Year</u>
Compensated absences	<u>\$ 244,953</u>	<u>\$ 235,013</u>

General Fund Budgetary Highlights

The following factors were taken into account when adopting the General Fund budget for 2017:

- * The District’s 2016 final refined average daily attendance (ADA) was 1,431 students, reflecting an increase of 51 students when compared to the prior year. The 2016 budget was developed based on an estimated ADA of 1,430 students.
- * All employees received a 2.8% salary increase for the 2015-16 fiscal year.
- * The employer contribution toward health insurance increased to \$430.00 per month.

Amounts available for appropriations in the General Fund budget for 2017 are \$19,829,020, reflecting an overall increase of 5.6% compared to the original 2016 budget of \$18,774,318. Federal revenue in 2017 is projected to be 8.8% more than the previous year. State revenue in 2017 is projected to be 3.5% more than the prior year. The District adopted a balanced budget for 2017.

During the fall of 2016, the District’s student enrollment was 1,596, representing an increase of 11 students as compared to the fall of 2015. Student enrollment fluctuates throughout the year depending on military assignments and deployments. Compared to student enrollment 10 years ago, there has been an increase of 258 students, reflecting a 19% increase in enrollment since 2006-2007. The District added no major new programs of initiatives to the 2017 budget.

The District continually monitors legislative actions at both the state and federal levels and will adjust future budget estimates as needed to reflect appropriation changes.

Contacting the District’s Financial Management

This financial report is designed for customers, investors, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District’s Business Services department.

BASIC FINANCIAL STATEMENTS

FORT SAM HOUSTON 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	\$ 13,998,841
1240 Due from Other Governments	1,673,441
1300 Inventories	5,263
Capital Assets:	
1520 Buildings, Net	45,326,297
1530 Furniture and Equipment, Net	1,141,792
1000 Total Assets	62,145,634
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	2,665,755
1700 Total Deferred Outflows of Resources	2,665,755
LIABILITIES	
2110 Accounts Payable	752,118
2150 Payroll Deductions & Withholdings	118,259
2160 Accrued Wages Payable	425,892
2180 Due to Other Governments	381,891
2200 Accrued Expenses	7,838
Noncurrent Liabilities	
2501 Due Within One Year	244,953
2540 Net Pension Liability (District's Share)	3,464,452
2000 Total Liabilities	5,395,403
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	257,596
2600 Total Deferred Inflows of Resources	257,596
NET POSITION	
3200 Net Investment in Capital Assets	46,627,925
3820 Restricted for Federal and State Programs	57,020
3900 Unrestricted	12,473,445
3000 Total Net Position	\$ 59,158,390

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

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 14,201,309	\$ 38,581	\$ 1,532,123
12 Instructional Resources and Media Services	327,807	-	14,268
13 Curriculum and Staff Development	694,414	-	352,745
21 Instructional Leadership	540,320	-	50,517
23 School Leadership	1,529,472	-	77,990
31 Guidance, Counseling and Evaluation Services	926,063	-	299,070
33 Health Services	295,798	-	14,773
34 Student (Pupil) Transportation	610,315	-	100,692
35 Food Services	865,016	349,548	342,494
36 Extracurricular Activities	714,316	25,773	17,892
41 General Administration	1,171,299	-	52,443
51 Facilities Maintenance and Operations	2,492,108	-	66,263
52 Security and Monitoring Services	40,219	-	1,318
53 Data Processing Services	1,090,529	-	35,312
61 Community Services	138	-	-
81 Capital Outlay	-	-	-
93 Payments related to Shared Services Arrangements	1,071,836	-	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 26,570,959	\$ 413,902	\$ 2,957,900

Data	General Revenues:
Control	Taxes:
Codes	SF State Aid - Formula Grants
	GC Grants and Contributions not Restricted
	IE Investment Earnings
	MI Miscellaneous Local and Intermediate Revenue
	E1 Extraordinary Item - resource
TR	Total General Revenues and Extraordinary Items
CN	Change in Net Position
NB	Net Position - Beginning
PA	Prior Period Adjustment
NE	Net Position - Ending

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

		Net (Expense) Revenue and Changes in Net Position	
		5	6
		Capital Grants and Contributions	Governmental Activities
\$	-	\$	(12,630,605)
	-		(313,539)
	-		(341,669)
	-		(489,803)
	-		(1,451,482)
	-		(626,993)
	-		(281,025)
	-		(509,623)
	-		(172,974)
	-		(670,651)
	-		(1,118,856)
	-		(2,425,845)
	-		(38,901)
	-		(1,055,217)
	-		(138)
	2,128,415		2,128,415
	-		(1,071,836)
\$	<u>2,128,415</u>		<u>(21,070,742)</u>

10,807,503
9,699,266
43,066
1,750,992
514,566
<u>22,815,393</u>
1,744,651
57,247,736
166,003
<u>\$ 59,158,390</u>

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 14,131,380	\$ 756,373	\$ (962,305)	\$ 13,925,448
1240 Receivables from Other Governments	521,502	-	1,151,939	1,673,441
1260 Due from Other Funds	100,603	-	247	100,850
1300 Inventories	-	-	5,263	5,263
1000 Total Assets	<u>\$ 14,753,485</u>	<u>\$ 756,373</u>	<u>\$ 195,144</u>	<u>\$ 15,705,002</u>
LIABILITIES				
2110 Accounts Payable	\$ 86,042	\$ 596,537	\$ 18,229	\$ 700,808
2150 Payroll Deductions and Withholdings Payable	118,259	-	-	118,259
2160 Accrued Wages Payable	356,338	-	69,554	425,892
2170 Due to Other Funds	82,626	-	18,224	100,850
2180 Due to Other Governments	381,891	-	-	381,891
2200 Accrued Expenditures	4,818	-	3,020	7,838
2000 Total Liabilities	<u>1,029,974</u>	<u>596,537</u>	<u>109,027</u>	<u>1,735,538</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	5,263	5,263
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	51,757	51,757
3470 Capital Acquisition and Contractual Obligation	-	159,836	-	159,836
Committed Fund Balance:				
3510 Construction	3,500,000	-	-	3,500,000
3545 Other Committed Fund Balance	-	-	34,360	34,360
3600 Unassigned Fund Balance	10,223,511	-	(5,263)	10,218,248
3000 Total Fund Balances	<u>13,723,511</u>	<u>159,836</u>	<u>86,117</u>	<u>13,969,464</u>
4000 Total Liabilities and Fund Balances	<u>\$ 14,753,485</u>	<u>\$ 756,373</u>	<u>\$ 195,144</u>	<u>\$ 15,705,002</u>

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

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2016

Total Fund Balances - Governmental Funds	\$ 13,969,464
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	22,083
2 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 \$72,085,259 and the accumulated depreciation was (\$27,693,650). The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net position.	44,391,609
3 Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2016 capital outlays is to increase net position.	4,806,628
4 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 (\$3,464,452), a Deferred Resource Inflow related to TRS in the amount of (\$257,596) and a Deferred Resource Outflow related to TRS in the amount of \$2,665,755. The net effect of these adjustments is to decrease Net Position.	(1,056,293)
5 The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(2,715,509)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing compensated absences of (\$244,953) and removing the book value of assets disposed of during the year of (\$14,369). The net effect of these reclassifications and recognitions is to decrease net position.	(259,592)
19 Net Position of Governmental Activities	<u>\$ 59,158,390</u>

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

FORT SAM HOUSTON 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	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 108,276	\$ -	\$ 2,101,387	\$ 2,209,663
5800 State Program Revenues	11,831,286	-	124,460	11,955,746
5900 Federal Program Revenues	9,344,709	2,128,415	1,818,346	13,291,470
5020 Total Revenues	<u>21,284,271</u>	<u>2,128,415</u>	<u>4,044,193</u>	<u>27,456,879</u>
EXPENDITURES:				
Current:				
0011 Instruction	10,000,834	-	2,171,814	12,172,648
0012 Instructional Resources and Media Services	280,409	-	-	280,409
0013 Curriculum and Instructional Staff Development	250,625	-	339,297	589,922
0021 Instructional Leadership	190,113	-	268,814	458,927
0023 School Leadership	1,297,529	-	18,124	1,315,653
0031 Guidance, Counseling and Evaluation Services	437,917	-	354,932	792,849
0033 Health Services	212,698	-	30,836	243,534
0034 Student (Pupil) Transportation	529,329	-	87,293	616,622
0035 Food Services	21,085	-	744,356	765,441
0036 Extracurricular Activities	657,848	-	-	657,848
0041 General Administration	939,702	-	27,604	967,306
0051 Facilities Maintenance and Operations	2,196,110	-	40,572	2,236,682
0052 Security and Monitoring Services	33,843	-	-	33,843
0053 Data Processing Services	953,393	-	38,402	991,795
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	4,538,009	-	4,538,009
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	1,071,836	-	-	1,071,836
6030 Total Expenditures	<u>19,073,271</u>	<u>4,538,009</u>	<u>4,122,044</u>	<u>27,733,324</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,211,000</u>	<u>(2,409,594)</u>	<u>(77,851)</u>	<u>(276,445)</u>
OTHER FINANCING SOURCES (USES):				
7912 Sale of Personal Property	12,936	-	-	12,936
7915 Transfers In	11,083	3,145,759	73,399	3,230,241
8911 Transfers Out (Use)	(3,315,357)	-	(11,083)	(3,326,440)
7080 Total Other Financing Sources (Uses)	<u>(3,291,338)</u>	<u>3,145,759</u>	<u>62,316</u>	<u>(83,263)</u>
EXTRAORDINARY ITEMS:				
7919 Extraordinary Item - Resource	514,566	-	-	514,566
1200 Net Change in Fund Balances	(565,772)	736,165	(15,535)	154,858
0100 Fund Balance - September 1 (Beginning)	14,345,881	(576,329)	101,652	13,871,204
1300 Prior period adjustment	(56,598)	-	-	(56,598)
3000 Fund Balance - August 31 (Ending)	<u>\$ 13,723,511</u>	<u>\$ 159,836</u>	<u>\$ 86,117</u>	<u>\$ 13,969,464</u>

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

FORT SAM HOUSTON 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	\$	154,858
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.		10,705
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2016 capital outlays is to increase net position.		4,806,628
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.		(2,715,509)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in compensated absences of (\$9,940) and removing the book value of assets disposed of during the year of (\$14,639). The net effect of these reclassifications and recognitions is to decrease net position.		(24,579)
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 \$286,644. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for FY2016 were (\$818,196) for pension expense from TRS data and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period were \$255,323. The impact of all of these is to decrease the change in net position.		(487,452)
Change in Net Position of Governmental Activities	\$	1,744,651

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

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2016

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 73,393
Total Assets	73,393
LIABILITIES	
Current Liabilities:	
Accounts Payable	51,310
Total Liabilities	51,310
NET POSITION	
Unrestricted Net Position	22,083
Total Net Position	\$ 22,083

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

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Governmental Activities -
	Internal Service Fund
OPERATING EXPENSES:	
Payroll Costs	\$ 46,348
Other Operating Costs	39,146
Total Operating Expenses	85,494
Income Before Transfers	(85,494)
Transfer In	96,199
Change in Net Position	10,705
Total Net Position - September 1 (Beginning)	-
Prior Period Adjustment	11,378
Total Net Position - August 31 (Ending)	\$ 22,083

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

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Payments for Insurance Claims	\$ 45,855
Cash Payments for Other Operating Expenses	39,146
Net Cash Used for Operating Activities	85,001
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer In	96,199
Net Increase in Cash and Cash Equivalents	11,197
Cash and Cash Equivalents at Beginning of Year	62,196
Cash and Cash Equivalents at End of Year	\$ 73,393
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (85,494)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	492
Net Cash Used for Operating Activities	\$ (85,002)

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

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2016

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 143,144
Total Assets	<u>\$ 143,144</u>
 LIABILITIES	
Accounts Payable	\$ 78
Due to Student Groups	143,066
Total Liabilities	<u>\$ 143,144</u>

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

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fort Sam Houston Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *GASB Statement No. 76* and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

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, Fort Sam Houston 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”), a five member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is appointed and has the exclusive power and duty to govern and oversee the management of the public schools of the District. 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 Fort Sam Houston Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by State foundation funds, grants, and other intergovernmental revenues.

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 “operating grants and contributions” column indicates 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 and Individuals with Disabilities Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District’s functions.

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

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

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 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. Impact Aid revenue are recognized as revenues in the fiscal year for which the funds are received. 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.

Impact Aid 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 are collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

Agency funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

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. **Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in 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.

Proprietary Funds:

2. **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's Internal Service Fund is its workers' compensation fund.

Fiduciary Funds:

3. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds is the student activity fund.

E. FUND BALANCE POLICY

Fort Sam Houston Independent School District reports fund balance for governmental funds in classifications based primarily on the extent to which the district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The **nonspendable** classification represents assets that will be consumed or "must be maintained in tact" and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the **restricted** classification. The nature of these two classifications precludes a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications – committed, assigned, and unassigned.

From time to time, the Board of Trustees may commit fund balances by a majority vote in a scheduled meeting. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions and other purposes determined by the Board.

The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board by majority vote in a scheduled meeting.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures should be charged to committed, assigned then unassigned.

By a majority vote in a scheduled meeting the Board of Trustees may commit fund balances and it may modify or rescind commitments. The Board may also delegate authority to persons or parties to assign fund balances in specific circumstances or funds.

Nonspendable

Inventories in the general fund	\$ -
Inventories in the food service fund	<u>5,263</u>
Total nonspendable	<u>5,263</u>

Restricted

Capital acquisition	159,836
Federal and State fund grant restriction	<u>51,757</u>
Total restricted	<u>211,593</u>

Committed

Construction	3,500,000
Campus Activity Fund	<u>34,360</u>
Total committed	<u>3,534,360</u>

Unassigned

General Fund	10,223,511
Other Funds	<u>(5,263)</u>
Total unassigned	<u>10,218,248</u>

Total Fund Balances	<u>\$13,969,464</u>
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F. OTHER ACCOUNTING POLICIES

1. The District records reports inventories on the balance sheet at cost. Inventories of governmental funds are recorded as expenditures when they are consumed rather than when purchased.
2. The District records its investments in certificates of deposit and state sponsored money market accounts at cost, which approximates fair value.
3. Unearned revenue accounted for on the balance sheet of the general fund and special revenue funds relates to excess funds received from the Texas Education Agency over earned amounts.

4. The District provides risk management obligations by carrying commercial insurance policies. Property and general liability insurance is obtained from a licensed insurer. Risk of loss is not retained by the District.
5. 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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District's deferred outflows of resources consist of deferred charges for pension contributions made after the measurement date of August 31, 2015 and during the District's current reporting period, differences between the expected and actual economic experience in the pension plan and changes in actuarial assumptions.

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. In the government wide financial statements, the District reports the deferred inflows for pension for the District's proportionate share of the deferred inflow for the difference between the projected and actual investment earnings in the pension plan.

6. The preparation of financial statements in conformity with generally accepted accounting principles 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.
7. 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.
8. In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.
9. An employee who retires from the District shall be eligible for reimbursement for unused local leave if the employee's retirement is voluntary. The employee shall be reimbursed for each day of local leave at the final daily rate of pay of the employee, to a maximum reimbursement payment of \$2,500.
10. Capital assets, which include buildings, furniture and equipment are reported in the applicable governmental column 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 is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-30
Vehicles	2-15
Furniture and equipment	3-15
Computer equipment	3-15

II. 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 and the other report is in Exhibit J-1.

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:

<u>August 31, 2016</u>	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ -
Nonappropriated Budget Funds	<u>86,117</u>
All Special Revenue Funds	<u>\$ 86,117</u>

B. COMPLIANCE

As noted in Exhibit G-1, the General Fund over-expended two functions. Function 11 was over-expended by \$49,847 and Function 13 was over-expended by \$736 for a total of \$50,583.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The pledge of approved securities is waived only to the extent of the depository’s bond or the depository bank’s dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. Since the District complies with this law, it has no custodial credit risk for deposits. At August 31, 2016 the District had deposits of \$900,478 not covered by FDIC insurance, but fully collateralized by either the depository or the depository’s agent in the District’s name.

As of August 31, 2016, Fort Sam Houston Independent School District had the following cash and cash equivalents on the balance sheet.

Cash & Cash Equivalent Types	Fair Value	Maturities (in years)				Credit Rating
		Less Than 1	1-5	6-10	More Than 10	
Lonestar Investment Pool	\$ 4,407	\$ 4,407	\$ -	\$ -	\$ -	AAAm
TexPool Investment Pool	3,432,491	3,432,491	-	-	-	AAAm
Money Market Accounts	<u>9,552,033</u>	<u>9,552,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	AAA
	<u>\$12,988,931</u>	<u>\$12,988,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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 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. Fort Sam Houston Independent School District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for Fort Sam Houston Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to bank certificates of deposit and State sponsored 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. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District investment is in secured bank certificates of deposit and State sponsored investment pools.

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

The investment pools used by the District are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investment.

The District's investment in investment pools, which are exempt from regulation by the Securities and Exchange Commission, have as one of their objectives the maintenance of stable net asset value of \$1. The book value of the position in the pools is the same as the number of the shares in each pool; the market value of a share should approximately equal the book value of a share.

Lone Star Investment Pool (the Pool): The Pool's liquidity fund operates in a manner consistent with the SEC Rule 2a7 of the Investment Company Act of 1940, which allows the fund to use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the District's position in the Pool is the same as the value of the Pool's shares and does not include any unrealized gains and losses.

The Pool is governed by an eleven member board of trustees (Board) made up of active participants in the Pool. The Board has the responsibility of adopting and monitoring compliance with the investment policy, appointing investment officers, overseeing the selection of an investment advisor, custodian, investment consultant, administrator, and other service providers. The Board is also responsible for monitoring performance of the Pool. Financial information for the Pool can be obtained by writing to Post Office Box 400, Austin, Texas 78767-0400 or by calling 1-800-758-3927.

B. INTERFUND BALANCES AND TRANSFERS

Interfund balances, primarily for payroll clearing purposes, at August 31, 2016 consisted of the following amounts:

Due to General Fund From:

Intrafund	\$ 82,379
Nonmajor Governmental Funds	<u>18,224</u>
Total Due to General Fund From Other Funds	<u>\$ 100,603</u>

Due to Nonmajor Governmental Funds:

General Fund	<u>\$ 247</u>
Total Due to Nonmajor Governmental Funds From Other Funds	<u>\$ 247</u>

Transfers to General Fund From:

Nonmajor Governmental Funds	<u>\$ 11,083</u>
Total Transfers to General Fund	<u>\$ 11,083</u>

Transfers to Capital Project Fund From:

General Fund	<u>\$ 3,145,759</u>
Total Transfers to Capital Project Fund	<u>\$ 3,145,759</u>

Transfers to Non-Major Governmental Funds From:

General Fund	<u>\$ 73,399</u>
Total Transfers to Non-Major Governmental Funds From Other Funds	<u>\$ 73,399</u>

Transfers to Internal Service Fund From:

General Fund	<u>\$ 96,199</u>
Total Transfers to Internal Service Funds	<u>\$ 96,199</u>

Transfers were used to supplement the District's Child Nutrition Program, Capital Projects Fund and Internal Service Fund.

C. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2016 were as follows:

	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:				
General Fund	\$ 521,502	\$ 100,603	\$ -	\$ 622,105
Nonmajor Governmental Funds	<u>1,151,939</u>	<u>247</u>	<u>-</u>	<u>1,152,186</u>
Total - Governmental Activities	<u>\$ 1,673,441</u>	<u>\$ 100,850</u>	<u>\$ -</u>	<u>\$ 1,774,291</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Payables at August 31, 2016 were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Due To Other Governments</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$ 86,042	\$ 474,597	\$ 82,626	\$ 381,891	\$ 1,025,156
Capital Projects Fund	596,537	-	-	-	596,537
Nonmajor Gov. Funds	<u>18,229</u>	<u>69,554</u>	<u>18,224</u>	<u>-</u>	<u>106,007</u>
Total - Gov. Activities	<u>\$ 700,808</u>	<u>\$ 544,151</u>	<u>\$ 100,850</u>	<u>\$ 381,891</u>	<u>\$ 1,727,700</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

D. CAPITAL ASSET ACTIVITY

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

	Primary Government				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
Governmental activities:					
Buildings and improvements	\$67,396,675	\$ -	\$ -	\$ 5,222,116	\$72,618,791
Furniture and equipment	4,004,477	268,619	(90,422)	-	4,182,674
Construction in progress	<u>684,107</u>	<u>4,538,009</u>	<u>-</u>	<u>(5,222,116)</u>	<u>-</u>
Total at historical cost	<u>72,085,259</u>	<u>4,806,628</u>	<u>(90,422)</u>	<u>-</u>	<u>76,801,465</u>
Less accumulated depreciation					
Buildings and improvements	(24,877,617)	(2,414,877)	-	-	(27,292,494)
Furniture and equipment	<u>(2,816,033)</u>	<u>(300,632)</u>	<u>75,783</u>	<u>-</u>	<u>(3,040,882)</u>
Total accumulated depreciation	<u>(27,693,650)</u>	<u>(2,715,509)</u>	<u>75,783</u>	<u>-</u>	<u>(30,333,376)</u>
Governmental activities capital assets, net	<u>\$44,391,609</u>	<u>\$ 2,091,119</u>	<u>\$ (14,639)</u>	<u>\$ -</u>	<u>\$46,468,089</u>

Depreciation for the year ended August 31, 2016 was charged to functions as follows:

Instruction	\$ 1,454,288
Instructional resources & media services	36,477
Curriculum and instructional staff development	90,031
Instructional leadership	59,224
School leadership	153,385
Guidance, counseling, and evaluation services	102,741
Health services	40,536
Student (pupil) transportation	88,071
Food services	90,208
Extracurricular activities	82,480
General administration	130,793
Facilities maintenance and operations	257,959
Security and monitoring services	5,146
Data processing services	<u>124,170</u>
Total Depreciation Expense	<u>\$ 2,715,509</u>

E. LONG-TERM OBLIGATIONS

The long-term obligations of the District include accrued local leave for all employees. Changes in long-term obligations for the year ended August 31, 2016 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Compensated absences*	\$ 235,013	\$ 244,953	\$ 235,013	\$ 244,953	\$ 244,953
Total governmental activities	<u>\$ 235,013</u>	<u>\$ 244,953</u>	<u>\$ 235,013</u>	<u>\$ 244,953</u>	<u>\$ 244,953</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General

F. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2016, as follows:

Year Ended <u>August 31</u>	
2017	\$ 63,060
2018	58,300
Thereafter	<u>-</u>
Total Minimum Rentals	<u>\$ 121,360</u>
Rental Expenditures for	
Fiscal Year 2016	<u>\$ 79,910</u>

G. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

The State of Texas has created a minimum personal leave program consisting of five days per year leave with no limit on accumulation and transferability among districts for every teacher regularly employed in Texas public schools.

Each district’s local Board of Education is required to establish a leave plan. Local school districts may provide additional leave beyond the state minimum. Fort Sam Houston Independent School District provides an additional five days per year leave above the state granted five days per year. Personal leave is not vested, therefore, upon resignation, termination or nonrenewal of contract, accumulated personal leave is not paid.

H. HEALTH CARE COVERAGE

During the period ended August 31, 2016, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$400 per month per employee and dependents based on employee coverage selection to the plan. All premiums were paid to a self-funded pool. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement. The contract between the District and the licensed insurer is renewable annually and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Blue Cross/Blue Shield TRS ActiveCare are available and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

I. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description. The Fort Sam Houston 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 retire 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 option 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 Website, 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, 204, 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. The 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 participates selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2016-2014.

Year	Contribution Rates and Contribution Amounts					
	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	.65%	\$ 90,495	1.0%	\$ 139,200	.55%	\$ 76,572
2015	.65%	\$ 85,972	1.0%	\$ 132,265	.55%	\$ 72,746
2014	.65%	\$ 81,853	1.0%	\$ 125,928	.55%	\$ 69,260

J. DEFINED BENEFIT PENSION PLAN

Plan Description. The Fort Sam Houston 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, Sec. 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.

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 2015 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. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer rates for fiscal years 2016 and 2017.

Contribution Rates

	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Fort Sam Houston ISD 2016 Employer Contributions		\$ 286,644
Fort Sam Houston ISD 2016 Member Contributions		1,002,403
Fort Sam Houston ISD 2015 NECE On-Behalf Contributions		825,477

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 sources, a privately sponsored source, from non-educational and general, or local funds.

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	8.0%
Long-term expected Investment Rate of Return	8.0%
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.

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 8.0%. 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	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio 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 Hedge 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%
Hedge Funds (Stable Value)	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%
Inflation Expectations			2.2%
Alpha			1.0%
Total	100%		8.7%

* 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.

	<u>1% Decrease in Discount Rate (7%)</u>	<u>Discount Rate (8%)</u>	<u>1% Increase in Discount Rate (9%)</u>
Fort Sam Houston ISD's proportionate share of the net pension liability:	<u>\$5,428,144</u>	<u>\$3,464,452</u>	<u>\$1,828,819</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, Fort Sam Houston Independent School District reported a liability of \$3,464,452 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Fort Sam Houston Independent School District. The amount recognized by Fort Sam Houston 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 Fort Sam Houston Independent School District were as follows:

District's proportionate share of the collective net pension liability	\$ 3,464,452
State's proportionate share that is associated with the District	<u>9,851,552</u>
Total	<u>\$13,316,004</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 0.000098008% which was an increase of 0.000071764% 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.
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.

For the year ended August 31, 2016, Fort Sam Houston Independent School District recognized pension expense of \$1,403,688 and revenue of \$1,403,688 for support provided by the State with Government Wide Statement of Activities.

At August 31, 2016, Fort Sam Houston 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 9,016	\$ 133,142
Changes in actuarial assumptions	37,897	123,596
Differences between projected and actual investment earnings	692,523	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,639,675	858
Contributions paid to TRS subsequent to the measurement date	<u>286,644</u>	<u>-</u>
Total	<u>\$ 2,665,755</u>	<u>\$ 257,596</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:

<u>Year Ended August 31</u>	<u>Pension Expense Amount</u>
2017	\$ 403,366
2018	403,366
2019	403,366
2020	456,930
2021	243,063
Thereafter	211,424

K. 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 drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Payments made on behalf of Fort Sam Houston Independent School District for fiscal years 2014, 2015, and 2016 were \$33,008, \$54,648, and \$54,144.

L. LITIGATION

The District is occasionally involved in litigation in the general course of business. Attorneys for the District indicate there is no pending litigation at August 31, 2016.

M. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2016 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

The District is in the process of facility renovations as of August 31, 2016. Related costs to be provided for in the 2016-2017 year are \$591,930.

N. SHARED SERVICES ARRANGEMENT (“SSA”)

1. SSA - Fiscal Agent

The District is the fiscal agent for an SSA which provides special education services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in Special Revenue Fund No. 313, SSA - IDEA B - Formula; Fund No. 314, SSA - IDEA B - Preschool; and Fund No. 315, SSA - IDEA B - Discretionary. The District has accounted for the fiscal agent’s activities in these funds using Model #2 in the SSA section of the Resource Guide.

In Special Revenue Fund No. 437, SSA - Special Education, member districts provide the funds to the fiscal agent, and the fiscal agent manages the SSA’s financial matters. The District, as the fiscal agent, records the receipt of member school districts’ monies and the related disbursement activity and informs the member districts of the SSA’s activity and each member fund using Model #3 in the SSA section of the Resource Guide.

Expenditures of the SSA are summarized below:

	<u>Fund No. 313</u>	<u>Fund No. 314</u>	<u>Fund No. 315</u>	<u>Fund No. 437</u>
Member districts:				
Lackland ISD	\$ 222,856	\$ 11,216	\$ 74,751	\$ 343,469
Randolph Field ISD	222,856	11,216	74,751	323,410
Fort Sam Houston ISD	<u>222,856</u>	<u>11,216</u>	<u>74,751</u>	<u>1,071,836</u>
Total	<u>\$ 668,568</u>	<u>\$ 33,648</u>	<u>\$ 224,253</u>	<u>\$ 1,738,715</u>

O. INSURANCE

Auto, Liability, and/or Property Programs

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

- Auto liability
- Auto physical damage
- Legal liability
- Privacy and information security
- 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 Fort Sam Houston 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, 2015, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

P. UNEMPLOYMENT COMPENSATION POOL

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

The TASB Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for unemployment compensation pool. For the year ended August 31, 2016, the Fund anticipates that the District will have 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 plan year on August 31. The audit is approved 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 at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Q. WORKERS’ COMPENSATION POOL

Effective on September 1, 2014, the District entered into an interlocal agreement with Texas Public Schools Workers’ Compensation Project, also referred to as SchoolComp, for the purpose of meeting its statutory obligation and providing the benefits prescribed by the Texas Workers’ Compensation Act. Under this program, the District is a member of the self-funded pool. SchoolComp through its contractor, will manage all claims after notice of injury has been given. All districts participating in the plan execute an interlocal agreement that defines the responsibilities of the parties. The plan provides the statutory workers’ compensation benefits to its members and their injured employees. The District contributed \$96,199 in the SchoolComp Fund in fiscal year 2016. Transactions are accounted for in the District’s Internal Service Fund. The Fund provides coverage up to \$350,000 for any accident or occurrence and has a stop-loss coverage up to a limit of \$5,000.

Estimates of claims payable and of claims incurred, but not reported at August 31, 2016 are reflected as claims payable of the Program. The Program is funded to discharge liabilities of the Program as they become due.

Changes in balances of claims liabilities are as follows:

	Year Ended <u>2016</u>
Unpaid Claims - Beginning	\$ 45,217
Incurred Claims	33,245
Claim Payments	<u>(27,481)</u>
Unpaid Claims - Ending	<u>\$ 50,981</u>

R. RECEIVABLES 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, 2016, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 521,502	\$ -	\$ -	\$ 521,502
Other Funds	-	1,049,808	102,131	1,151,939
Total	<u>\$ 521,502</u>	<u>\$ 1,049,808</u>	<u>\$ 102,131</u>	<u>\$1,673,441</u>

S. 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>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Tuition and fees	\$ 1,400	\$ -	\$ -	\$ 1,400
Investment income	43,066	-	-	43,066
Foundation, gifts and bequests	-	-	380	380
Insurance recovery	13,600	-	-	13,600
Food sales	-	-	349,548	349,548
Extracurricular student activities	15,205	-	1,824	17,029
Enterprising revenue	-	-	23	23
Shared services	-	-	1,738,715	1,738,715
Other	<u>35,005</u>	<u>-</u>	<u>10,897</u>	<u>45,902</u>
Total	<u>\$ 108,276</u>	<u>\$ -</u>	<u>\$2,101,387</u>	<u>\$2,209,663</u>

T. GENERAL FUND FEDERAL SOURCES REVENUE

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
Impact Aid - P.L. 103-382	84.041	\$8,956,465
Department of Defense Supplemental	12.559	335,522
ROTC	12.000	<u>52,722</u>
Total		<u><u>\$9,344,709</u></u>

U. PRIOR PERIOD ADJUSTMENT

The District's financial statements reflect a prior period adjustment for the following:

Exhibit C-3

<i>General Fund</i>	Removing the internal service fund balance included in the prior year's general fund balance	\$ <u>(56,598)</u>
	Total Prior Period Adjustment General Fund	<u><u>\$ (56,598)</u></u>

Exhibit D-2

<i>Internal Service Fund</i>	Including fund balance that was combined with the General Fund in the prior year	\$ 56,598
	Recording beginning liability regarding self-funded workers compensation liability	<u>(45,220)</u>
	Total Prior Period Adjustment Internal Service Fund	<u><u>\$ 11,378</u></u>

Exhibit B-1

Total Prior Period Adjustments from Fund Statements:		
<i>Government-Wide</i>	From Exhibit C-1	\$ (56,598)
	From Exhibit D-1	11,378
	Adjustment prior year contributions to reflect the proper prior year OASDI contributions made by the District for TRS	<u>211,223</u>
	Total Prior Period Adjustments for Government-Wide	<u><u>\$ 166,003</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

FORT SAM HOUSTON 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	\$ 25,900	\$ 632,916	\$ 108,276	\$ (524,640)
5800	State Program Revenues	11,348,418	11,803,238	11,831,286	28,048
5900	Federal Program Revenues	7,400,000	9,344,706	9,344,709	3
5020	Total Revenues	18,774,318	21,780,860	21,284,271	(496,589)
EXPENDITURES:					
Current:					
0011	Instruction	9,615,987	9,950,987	10,000,834	(49,847)
0012	Instructional Resources and Media Services	293,869	305,369	280,409	24,960
0013	Curriculum and Instructional Staff Development	249,889	249,889	250,625	(736)
0021	Instructional Leadership	188,253	196,453	190,113	6,340
0023	School Leadership	1,229,795	1,309,795	1,297,529	12,266
0031	Guidance, Counseling and Evaluation Services	527,727	452,727	437,917	14,810
0033	Health Services	214,462	220,462	212,698	7,764
0034	Student (Pupil) Transportation	619,481	624,481	529,329	95,152
0035	Food Services	19,162	21,662	21,085	577
0036	Extracurricular Activities	666,034	707,489	657,848	49,641
0041	General Administration	903,002	968,002	939,702	28,300
0051	Facilities Maintenance and Operations	2,034,680	2,207,680	2,196,110	11,570
0052	Security and Monitoring Services	24,254	57,254	33,843	23,411
0053	Data Processing Services	948,398	988,398	953,393	35,005
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	1,197,075	1,197,075	1,071,836	125,239
6030	Total Expenditures	18,732,068	19,457,723	19,073,271	384,452
1100	Excess of Revenues Over Expenditures	42,250	2,323,137	2,211,000	(112,137)
OTHER FINANCING SOURCES (USES):					
7912	Sale of Personal Property	-	-	12,936	12,936
7915	Transfers In	-	-	11,083	11,083
8911	Transfers Out (Use)	(42,250)	(6,092,250)	(3,315,357)	2,776,893
7080	Total Other Financing Sources (Uses)	(42,250)	(6,092,250)	(3,291,338)	2,800,912
EXTRAORDINARY ITEMS:					
7919	Extraordinary Item - Resource	-	-	514,566	514,566
1200	Net Change in Fund Balances	-	(3,769,113)	(565,772)	3,203,341
0100	Fund Balance - September 1 (Beginning)	14,345,881	14,345,881	14,345,881	-
1300	Prior period adjustment	-	-	(56,598)	(56,598)
3000	Fund Balance - August 31 (Ending)	\$ 14,345,881	\$ 10,576,768	\$ 13,723,511	\$ 3,146,743

FORT SAM HOUSTON 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-2

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.000098008%	0.000026244%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,464,452	\$ 701,013
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	9,851,552	8,424,474
Total	<u>\$ 13,316,004</u>	<u>\$ 9,125,487</u>
District's Covered-Employee Payroll	\$ 13,922,263	\$ 12,592,500
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	24.88%	5.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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."

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2016

EXHIBIT G-3

	2016	2015
Contractually Required Contribution	\$ 286,644	\$ 290,206
Contribution in Relation to the Contractually Required Contribution	(286,644)	(290,206)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 13,919,977	\$ 13,922,263
Contributions as a Percentage of Covered-Employee Payroll	2.06%	2.08%

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."

FORT SAM HOUSTON 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 AND OTHER STATEMENTS

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

Data Control Codes	240 National Breakfast and Lunch Program	287 SFLEP Fund	288 2012 DODEA Grant Fund	289 2009 DODEA Grant Fund	
ASSETS					
1110	Cash and Cash Equivalents	\$ (12,360)	\$ (159,455)	\$ (482,578)	\$ 168
1240	Receivables from Other Governments	11,101	164,251	490,116	-
1260	Due from Other Funds	-	-	-	-
1300	Inventories	5,263	-	-	-
1000	Total Assets	<u>\$ 4,004</u>	<u>\$ 4,796</u>	<u>\$ 7,538</u>	<u>\$ 168</u>
LIABILITIES					
2110	Accounts Payable	\$ 578	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	4,275	6,785	-
2170	Due to Other Funds	3,426	127	129	168
2200	Accrued Expenditures	-	394	624	-
2000	Total Liabilities	<u>4,004</u>	<u>4,796</u>	<u>7,538</u>	<u>168</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	5,263	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3600	Unassigned Fund Balance	(5,263)	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,004</u>	<u>\$ 4,796</u>	<u>\$ 7,538</u>	<u>\$ 168</u>

313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA IDEA, Part B Discretionary	401 Optional Extended Year Program	404 Student Success Initiative	410 State Textbook Fund	411 Technology Allotment Fund	437 SSA Special Education
\$ (140,590)	\$ 299	\$ (224,225)	\$ 31	\$ 957	\$ 52,205	\$ 10,165	\$ (41,282)
160,101	-	224,239	-	-	-	-	102,131
-	-	-	-	-	-	-	247
-	-	-	-	-	-	-	-
<u>\$ 19,511</u>	<u>\$ 299</u>	<u>\$ 14</u>	<u>\$ 31</u>	<u>\$ 957</u>	<u>\$ 52,205</u>	<u>\$ 10,165</u>	<u>\$ 61,096</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 835	\$ -	\$ 16,816
15,199	-	-	-	-	-	-	43,295
2,908	299	14	31	957	-	10,165	-
1,404	-	-	-	-	-	-	598
<u>19,511</u>	<u>299</u>	<u>14</u>	<u>31</u>	<u>957</u>	<u>835</u>	<u>10,165</u>	<u>60,709</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	51,370	-	387
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,370</u>	<u>-</u>	<u>387</u>
<u>\$ 19,511</u>	<u>\$ 299</u>	<u>\$ 14</u>	<u>\$ 31</u>	<u>\$ 957</u>	<u>\$ 52,205</u>	<u>\$ 10,165</u>	<u>\$ 61,096</u>

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

Data Control Codes	461 Campus Activity Funds	Total Nonmajor Governmental Funds
ASSETS		
1110	Cash and Cash Equivalents	\$ 34,360 \$ (962,305)
1240	Receivables from Other Governments	- 1,151,939
1260	Due from Other Funds	- 247
1300	Inventories	- 5,263
1000	Total Assets	<u>\$ 34,360</u> <u>\$ 195,144</u>
LIABILITIES		
2110	Accounts Payable	\$ - \$ 18,229
2160	Accrued Wages Payable	- 69,554
2170	Due to Other Funds	- 18,224
2200	Accrued Expenditures	- 3,020
2000	Total Liabilities	<u>-</u> <u>109,027</u>
FUND BALANCES		
Nonspendable Fund Balance:		
3410	Inventories	- 5,263
Restricted Fund Balance:		
3450	Federal or State Funds Grant Restriction	- 51,757
Committed Fund Balance:		
3545	Other Committed Fund Balance	34,360 34,360
3600	Unassigned Fund Balance	- (5,263)
3000	Total Fund Balances	<u>34,360</u> <u>86,117</u>
4000	Total Liabilities and Fund Balances	<u>\$ 34,360</u> <u>\$ 195,144</u>

FORT SAM HOUSTON 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	240 National Breakfast and Lunch Program	287 SFLEP Fund	288 2012 DODEA Grant Fund	289 2009 DODEA Grant Fund
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 349,548	\$ -	\$ -
5800	State Program Revenues	4,178	-	-
5900	Federal Program Revenues	<u>333,030</u>	<u>68,745</u>	<u>490,116</u>
5020	Total Revenues	<u>686,756</u>	<u>68,745</u>	<u>490,116</u>
EXPENDITURES:				
Current:				
0011	Instruction	-	60,143	126,727
0013	Curriculum and Instructional Staff Development	-	5,394	333,903
0021	Instructional Leadership	-	3,208	18,562
0023	School Leadership	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-
0033	Health Services	-	-	-
0034	Student (Pupil) Transportation	-	-	-
0035	Food Services	744,356	-	-
0041	General Administration	-	-	5,458
0051	Facilities Maintenance and Operations	15,799	-	-
0053	Data Processing Services	-	-	5,466
6030	Total Expenditures	<u>760,155</u>	<u>68,745</u>	<u>490,116</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(73,399)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	73,399	-	-
8911	Transfers Out (Use)	<u>-</u>	<u>-</u>	<u>-</u>
7080	Total Other Financing Sources (Uses)	<u>73,399</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA IDEA, Part B Discretionary	401 Optional Extended Year Program	404 Student Success Initiative	410 State Textbook Fund	411 Technology Allotment Fund	437 SSA Special Education
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,738,715
-	-	-	-	-	120,282	-	-
668,568	33,648	224,239	-	-	-	-	-
668,568	33,648	224,239	-	-	120,282	-	1,738,715
416,648	16,824	152,731	-	-	132,618	-	1,263,767
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	247,044
-	-	-	-	-	350	-	15,253
251,920	16,824	-	-	-	-	-	86,188
-	-	-	-	-	-	-	30,836
-	-	71,521	-	-	-	-	15,772
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	22,146
-	-	-	-	-	-	-	24,773
-	-	-	-	-	-	-	32,936
668,568	33,648	224,252	-	-	132,968	-	1,738,715
-	-	(13)	-	-	(12,686)	-	-
-	-	-	-	-	-	-	-
-	-	-	(31)	(887)	-	(10,165)	-
-	-	-	(31)	(887)	-	(10,165)	-
-	-	(13)	(31)	(887)	(12,686)	(10,165)	-
-	-	13	31	887	64,056	10,165	387
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,370	\$ -	\$ 387

FORT SAM HOUSTON 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	461 Campus Activity Funds	Total Nonmajor Governmental Funds	
REVENUES:			
5700	Total Local and Intermediate Sources	\$ 13,124	\$ 2,101,387
5800	State Program Revenues	-	124,460
5900	Federal Program Revenues	-	1,818,346
5020	Total Revenues	<u>13,124</u>	<u>4,044,193</u>
EXPENDITURES:			
Current:			
0011	Instruction	2,356	2,171,814
0013	Curriculum and Instructional Staff Development	-	339,297
0021	Instructional Leadership	-	268,814
0023	School Leadership	2,521	18,124
0031	Guidance, Counseling and Evaluation Services	-	354,932
0033	Health Services	-	30,836
0034	Student (Pupil) Transportation	-	87,293
0035	Food Services	-	744,356
0041	General Administration	-	27,604
0051	Facilities Maintenance and Operations	-	40,572
0053	Data Processing Services	-	38,402
6030	Total Expenditures	<u>4,877</u>	<u>4,122,044</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,247</u>	<u>(77,851)</u>
OTHER FINANCING SOURCES (USES):			
7915	Transfers In	-	73,399
8911	Transfers Out (Use)	-	(11,083)
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>62,316</u>
1200	Net Change in Fund Balance	8,247	(15,535)
0100	Fund Balance - September 1 (Beginning)	<u>26,113</u>	<u>101,652</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 34,360</u>	<u>\$ 86,117</u>

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED AUGUST 31, 2016

	BALANCE SEPTEMBER 1 2015	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2016
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 133,577	\$ 126,347	\$ 116,780	\$ 143,144
Liabilities:				
Accounts Payable	\$ 1,065	\$ 44,723	\$ 45,710	\$ 78
Due to Student Groups	132,512	81,624	71,070	143,066
Total Liabilities	\$ 133,577	\$ 126,347	\$ 116,780	\$ 143,144
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 133,577	\$ 126,347	\$ 116,780	\$ 143,144
Liabilities:				
Accounts Payable	\$ 1,065	\$ 44,723	\$ 45,710	\$ 78
Due to Student Groups	132,512	81,624	71,070	143,066
Total Liabilities	\$ 133,577	\$ 126,347	\$ 116,780	\$ 143,144

T.E.A. REQUIRED SCHEDULES

FORT SAM HOUSTON 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	\$ 322,000	\$ 331,000	\$ 349,548	\$ 18,548
5800	State Program Revenues	4,500	4,177	4,178	1
5900	Federal Program Revenues	304,500	331,713	333,030	1,317
5020	Total Revenues	631,000	666,890	686,756	19,866
EXPENDITURES:					
0035	Food Services	657,450	744,450	744,356	94
0051	Facilities Maintenance and Operations	15,800	15,800	15,799	1
6030	Total Expenditures	673,250	760,250	760,155	95
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(42,250)	(93,360)	(73,399)	19,961
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	42,250	93,360	73,399	(19,961)
1200	Net Change in Fund Balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

FEDERAL SECTION

COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

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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*

To the Board of Trustees of
Fort Sam Houston Independent School District
4005 Winans Road
San Antonio, Texas 78234

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fort Sam Houston 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 Fort Sam Houston Independent School District's basic financial statements, and have issued our report thereon dated November 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fort Sam Houston 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 the Fort Sam Houston Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fort Sam Houston Independent School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fort Sam Houston 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Coleman, Horton, + Company, LLP

Certified Public Accountants
Uvalde, Texas
November 18, 2016

COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees of
Fort Sam Houston Independent School District
4005 Winans Road
San Antonio, Texas 78234

Report on Compliance for Each Major Federal Program

We have audited the Fort Sam Houston Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Fort Sam Houston Independent School District's major federal programs for the year ended August 31, 2016. Fort Sam Houston Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Fort Sam Houston Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Fort Sam Houston Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Fort Sam Houston Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

Report on Internal Control Over Compliance

Management of the Fort Sam Houston Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Fort Sam Houston Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fort Sam Houston Independent School District's internal control over compliance.

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

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

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

Coleman, Horton, & Company, LLP

Certified Public Accountants
Uvalde, Texas
November 18, 2016

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

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Control deficiency(ies) identified? Yes No

Control deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

Control deficiency(ies) identified? Yes No

Control deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 200.56 of the Uniform Guidance? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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CFDA #84.041	Impact Aid - P.L. 103-382
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Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

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

B. Financial Statement Findings

-----None noted-----

C. Federal Award Findings and Questioned Costs

-----None noted-----

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

-----Not Applicable -----

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2016

-----Not Applicable -----

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
ROTC	12.000	N/A	\$ 52,722
DODEA-Promoting Student Achievement	12.556	HE12541210033	490,116
Invitational Grants for Military-Connected Schools	12.557	HE12541210021P00001	68,745
Department of Defense Supplemental	12.558	N/A	<u>335,522</u>
Total Direct Programs			\$ 947,105
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>\$ 947,105</u>
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874	84.041	53-TX-2016-0401	\$ 7,879,754
Impact Aid - P.L. 81.874	84.041	53-TX-2014-0401	<u>1,076,711</u>
Total CFDA Number 84.041			<u>8,956,465</u>
Total Direct Programs			<u>\$ 8,956,465</u>
<u>Passed Through State Department of Education</u>			
*SSA - IDEA - Part B, Formula	84.027A	16-6600010159146600	\$ 668,568
*SSA - IDEA - Part B, Discretionary	84.027A	16-660006015914	<u>224,239</u>
Total CFDA Number 84.027A			<u>892,807</u>
*SSA - IDEA - Part B, Preschool	84.173A	16-6610010159146610	<u>33,648</u>
Total Special Education Cluster (IDEA)			<u>926,455</u>
Total Passed Through State Department of Education			<u>\$ 926,455</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>\$ 9,882,920</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401501	\$ 47,380
*National School Lunch Program - Cash Assistance	10.555	71301501	234,437
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301501	<u>51,213</u>
Total CFDA Number 10.555			<u>285,650</u>
Total Child Nutrition Cluster			<u>333,030</u>
Total Passed Through the State Department of Agriculture			<u>\$ 333,030</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 333,030</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 11,163,055</u></u>

*Clustered Programs

**Schedule doesn't include expenditures from Impact Aid Section 8008 Construction Grant in the amount of \$2,128,415 (CFDA # 84.040). According to the program information available from the Catalogue of Federal Domestic Assistance, this program is excluded from the audit requirements and coverage under the Uniform Guidance..

FORT SAM HOUSTON INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2016

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
- CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering Fort Sam Houston Independent School District fiscal year beginning September 1 2015, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.

SCHOOLS FIRST QUESTIONNAIRE

Fort Sam Houston Independent School District

Fiscal Year 2016

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$-0-
SF11	Net Pension Assets (1920) at fiscal year-end.	\$-0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$3,464,452
SF13	Pension Expense (6147) at fiscal year-end.	\$276,229