

**Fort Sam Houston  
Independent School District**

**Annual Financial and Compliance Report**

Year Ended August 31, 2015

# Fort Sam Houston Independent School District

## Annual Financial Report

Year Ended August 31, 2015

### Table of Contents

	Page	Exhibit
<b>INTRODUCTORY SECTION</b>		
Certificate of Board	5	
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report	9	
Management's Discussion and Analysis (Required Supplementary Information)	13	
<b>Basic Financial Statements</b>		
Government-Wide Financial Statements:		
Statement of Net Position	24	A-1
Statement of Activities	25	B-1
Governmental Funds Financial Statements:		
Balance Sheet – Governmental Funds	26	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	27	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) – Governmental Funds	28	C-3
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) of Governmental Funds to the Statement of Activities	29	C-4
Statement of Fiduciary Assets and Liabilities – Agency Fund	30	E-1
Notes to the Financial Statements	31	

	<b>Page</b>	<b>Exhibit</b>
<b>Required Supplementary Information</b>		
Budgetary Comparison Schedule:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund	57	G-1
Schedule of the District’s Proportionate Share of the Net Pension Liability – TRS	58	G-2
Schedule of the District’s Contributions – TRS	59	G-3
 <b>OTHER SUPPLEMENTARY INFORMATION SECTION</b>		
Required by the Texas Education Agency:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Child Nutrition Program	63	J-4
 <b>COMPLIANCE SECTION</b>		
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 <i>Government Auditing Standards</i>	67	
Independent Auditor’s Report on Compliance For the Major Federal Program and on Internal Control Over Compliance as Required by OMB Circular A-133	69	
Schedule of Findings and Questioned Costs	71	
Summary Schedule of Prior Audit Findings	72	
Schedule of Expenditures of Federal Awards	73	K-1
Notes to the Schedule of Expenditures of Federal Awards	74	

Introductory Section



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# Certificate of Board

Fort Sam Houston Independent School District      Bexar      015-914  
Name of School District      County      County District Number

We, the undersigned, certify that the attached annual financial report of the above-named school district was reviewed and (check one) X approved \_\_\_\_\_ disapproved for the year ended August 31, 2015, at a meeting of the Board of Trustees of such school district on the 21 day of January, 2016.

/s/ Jeanne Warren  
Signature of Board Secretary

/s/ Eustace Lewis  
Signature of Board President

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

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## Financial Section

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# Padgett Stratemann

## Independent Auditor's Report

To the Board of Trustees  
Fort Sam Houston Independent School District  
San Antonio, Texas

### ***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 Fort Sam Houston Independent School District (the "District") as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Emphasis of a Matter***

As described in Note A-2C, the District was required to adopt Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. As discussed in Note S, the prior year’s reported net position has been restated, effective September 1, 2014, for the adoption of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis; the Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund; Schedule of the District’s Proportionate Share of the Net Pension Liability – TRS; and the Schedule of the District’s Contributions – TRS, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of the 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquires, 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 evidence sufficient to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The other supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The other supplementary information and Schedule of Expenditures of Federal Awards are the responsibility of management and was 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 other supplementary information and Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

*Padgett, Statemann + Co., L.L.P.*

San Antonio, Texas  
January 14, 2016

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# MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Fort Sam Houston Independent School District’s (the “District”) annual financial report presents management’s discussion and analysis of the District’s financial performance during the fiscal year ended August 31, 2015. Please read it in conjunction with the District’s financial statements, which follow this section.

## Financial Highlights

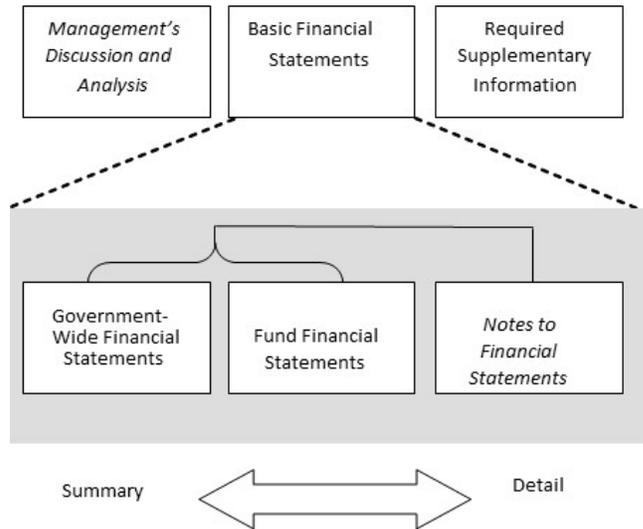
- The District’s total combined net position was \$57,247,736 at August 31, 2015.
- During the year, the District’s expenses were \$3,954,873 less than the \$28,680,660 generated in federal, state, and local revenues.
- The General Fund reported a fund balance of \$14,345,881 at August 31, 2015.
- The District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68 and recorded a liability of \$701,013 to record the District’s proportionate share of TRS’ net pension liability.

## Overview of the Financial Statements

This annual report consists of three parts – *management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. Table A-1 shows how the required parts of this annual report are arranged and related to one another. 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.
- The *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.

**Table A-1  
Required Components of the  
District’s Annual Financial Report**



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 supplementary information* that further explains and supports the information in the financial statements.

Table A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Table A-2**  
**Major Features of the District’s Government-Wide and Fund Financial Statements**

Type of Statements	Fund Statements		
	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District’s government (except Fiduciary Funds) and the District’s component units	The activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary assets and liabilities</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the District’s funds do not currently contain capital assets
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

*Government-Wide Statements*

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

The two government-wide statements report the District’s net position and how it has changed. Net position – the difference between the District’s assets and liabilities – is one way to measure the District’s financial health or *position*.

- Over time, increases or decreases in the District’s net position are indicators 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 Impact Aid law and enrollment trends.

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 development and instructional 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 the District uses to keep track of specific sources of funding and spending for particular purposes.

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

The District has 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 Funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the Governmental Funds statement, or on the subsequent page, that explains the relationship, or differences, between them.
- *Fiduciary Funds* – The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. The District is responsible for ensuring the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities – Agency Fund. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

## Financial Analysis of the District as a Whole

### Net Position

The District's combined net position was \$57,247,736 at August 31, 2015 (see Table A-3). Total assets increased by \$8,256,158 and current liabilities increased by \$3,637,335 due to ongoing construction projects.

**Table A-3  
The District's Net Position**

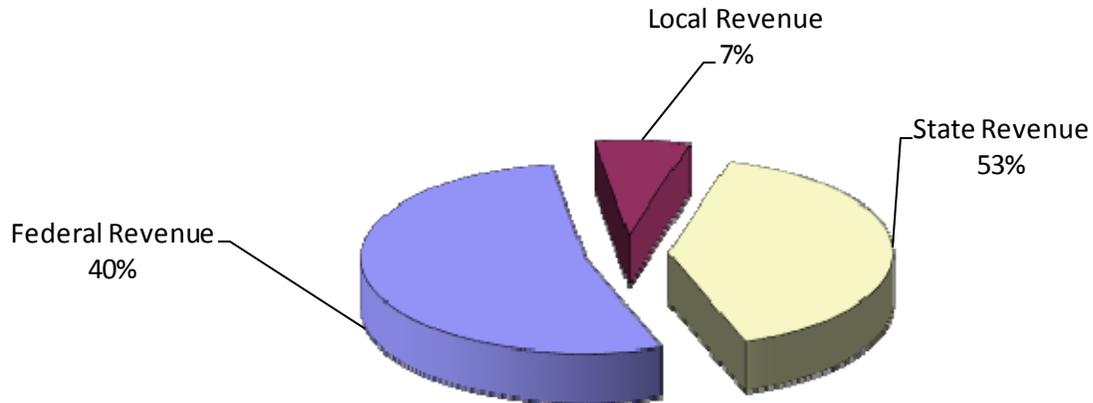
	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u> *	
<b>Assets</b>			
Current and other assets	\$ 18,333,647	\$ 19,054,384	(3.8%)
Capital assets – net	<u>44,391,609</u>	<u>36,135,451</u>	22.8%
<b>Total assets</b>	<u>\$ 62,725,256</u>	<u>\$ 55,189,835</u>	13.7%
<b>Deferred Outflow Related to TRS</b>	<u>\$ 135,391</u>	<u>\$ -</u>	100.0%
Current liabilities	\$ 4,462,443	\$ 825,108	440.8%
Long-term liabilities	<u>936,026</u>	<u>277,613</u>	237.2%
<b>Total liabilities</b>	<u>\$ 5,398,469</u>	<u>\$ 1,102,721</u>	389.6%
<b>Deferred Inflow Related to TRS</b>	<u>\$ 214,442</u>	<u>\$ -</u>	100.0%
<b>Net Position</b>			
Investment in capital assets	\$ 44,391,609	\$ 36,135,451	22.8%
Restricted	75,538	147,287	(48.7%)
Unrestricted	<u>12,780,589</u>	<u>17,804,376</u>	(28.2%)
<b>Total net position</b>	<u>\$ 57,247,736</u>	<u>\$ 54,087,114</u>	5.8%

\* The District was required to adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, effective September 1, 2014. As permitted by GASB Statement No. 68, the prior fiscal year was not restated.

**Changes in Net Position**

The District's total revenue was \$28,680,660. A significant portion of the District's revenue, 40%, comes from federal program revenues, primarily Impact Aid; 53% comes from state aid – formula grants; and 7% comes from local and intermediate sources (see Table A-4). The total cost of all programs and services was \$24,725,787.

**Table A-4  
Sources of Revenue for Fiscal Year 2015**



**Governmental Activities**

Table A-5 provides a comparison of the District's revenues and expenses for fiscal year 2015 to that of fiscal year 2014. Overall, revenues increased by 19.1% from the prior year, mainly due to an increase in federal Impact Aid revenue and construction (capital) grants. Expenses increased by 3.8% from the prior year.

**Table A-5**  
**Changes in the District's Net Position**

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u> *	
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 1,935,402	\$ 2,033,084	(4.8%)
Operating grants and contributions	2,870,039	2,646,492	8.4%
Capital grants and contributions	3,021,955	-	100.0%
General revenues:			
State aid	10,433,888	11,284,439	(7.5%)
Impact Aid	10,407,549	8,104,703	28.4%
Investment earnings	11,827	6,220	90.1%
Total revenues	<u>28,680,660</u>	<u>24,074,938</u>	19.1%
<b>Expenses</b>			
Instruction	12,813,955	12,205,817	5.0%
Instructional resources and media services	323,010	317,373	1.8%
Curriculum and staff development	797,578	658,179	21.2%
Instructional leadership/school leadership	1,882,423	1,776,785	5.9%
Guidance and health	1,268,904	1,244,545	2.0%
Student (pupil) transportation	596,669	596,517	0.0%
Food services	799,060	779,931	2.5%
Extracurricular activities	730,535	650,559	12.3%
General administration	1,158,281	1,047,494	10.6%
Facility maintenance and security	2,275,963	2,425,893	(6.2%)
Data processing services	1,046,848	981,124	6.7%
Shared service arrangements	1,032,561	1,139,007	(9.3%)
Total expenses	<u>24,725,787</u>	<u>23,823,224</u>	3.8%
Change in net position	<u>3,954,873</u>	<u>251,714</u>	1471.2%
Net position at beginning of year	54,087,114	53,835,400	0.5%
Prior period adjustment – GASB Statement No. 68	<u>(794,251)</u>	<u>-</u>	100.0%
Net position at beginning of year – as restated	<u>53,292,863</u>	<u>53,835,400</u>	0.1%
Net position at end of year	<u>\$ 57,247,736</u>	<u>\$ 54,087,114</u>	5.8%

\* The District was required to adopt GASB Statement No. 68, effective September 1, 2014. As permitted by GASB Statement No. 68, prior fiscal year was not restated.

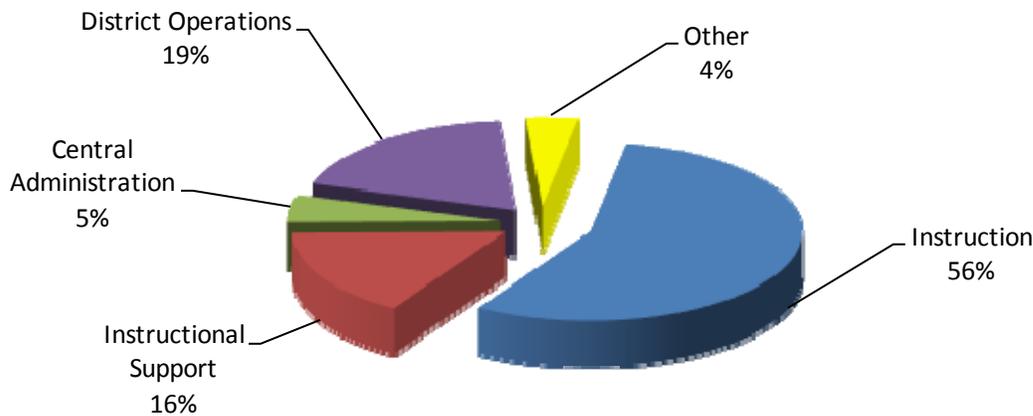
Table A-6 presents the cost of each of the District’s largest functions, as well as each function’s net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues, as well as federal Impact Aid.

**Table A-6  
Net Cost of Major District Functions**

	Governmental Activities		Percentage Change
	2015	2014	
Instruction	\$ 11,410,964	\$ 10,911,569	4.6%
Instructional leadership/school leadership	1,743,939	1,656,709	5.3%
Guidance and health	925,242	899,664	2.8%
General administration	1,107,017	997,782	10.9%
Facility maintenance and security	2,250,853	2,404,675	(6.4%)

Table A-7 presents the allocation of functional expenses in their major area/class:

**Table A-7  
Functional Expenses for Fiscal Year 2015**



### Financial Analysis of the District’s Funds

The District had two major funds in 2015: the General Fund and the Capital Projects Funds.

#### ***The General Fund***

Revenues from the General Fund totaled \$21,831,307, an increase of \$1,579,326 over the preceding year. There was an increase in Impact Aid federal funding. Overall, the General Fund had a net decrease in fund balance of \$3,809,838.

### **Capital Projects Funds**

In June 2015, the District awarded a \$3,750,000 construction contract for a new music building to be built at Robert G. Cole Middle/High School. Funding for the project is from a \$2,640,000 grant through Impact Aid and the remaining funds are from the District's committed fund balance reserves for construction. Estimated completion of the project is May 2016.

In August 2014, the District awarded a \$9,010,000 construction contract for renovations and additions to the Fort Sam Houston Elementary School and for renovations at Robert G. Cole Middle/High School for the space previously used for the cafeteria. Funding for a portion of the elementary school project and for the middle/high school project was through Impact Aid construction grants. The remaining funds were from the District's committed fund balance reserves for construction. Both projects were substantially completed in August 2015.

During 2015, the District recognized \$3,021,955 of construction grant revenue and expended \$10,518,190 for the construction projects. At August 31, 2015, the District committed \$6,000,000 from the General Fund's fund balance for the construction projects.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$41,512 below final budget amounts. The District's revenues were \$723,739 over budgeted amounts. Additional information on the District's capital assets can be found in Note F to the financial statements.

## **Capital Assets**

### **Capital Assets**

At the end of 2015, the District had invested \$44,391,609 in a broad range of capital assets, including buildings and improvements, vehicles, furniture and equipment, and construction in progress, net of accumulated depreciation (see Table A-8).

**Table A-8  
The District's Capital Assets**

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Buildings and improvements	\$ 67,396,675	\$ 56,875,613	18.5%
Vehicles	1,361,783	1,361,783	-
Furniture and equipment	2,642,694	2,510,607	5.3%
Construction in progress	<u>684,107</u>	<u>681,921</u>	0.3%
Totals at historical cost	<b>72,085,259</b>	61,429,924	17.3%
Less total accumulated depreciation	<u>27,693,650</u>	<u>25,294,473</u>	9.5%
Net capital assets	<b><u>\$ 44,391,609</u></b>	<b><u>\$ 36,135,451</u></b>	22.8%

## **Economic Factors and Next Year's Budgets and Rates**

The following factors were taken into account when adopting the General Fund budget for 2016:

- The District's 2015 final refined average daily attendance ("ADA") was 1,380 students, reflecting a decrease of 49 students when compared to the prior year. The 2016 budget was developed based on an estimated ADA of 1,380 students.
- All employees received a 2.8% salary increase for the 2014-2015 fiscal year.
- The employer contribution toward health insurance remained at \$400 per month.

Amounts available for appropriations in the General Fund budget for 2016 are \$18,774,318, reflecting an overall increase of 3.5% compared to the original 2015 budget of \$18,139,180. Federal revenue in 2016 is projected to be 5.7% more than the previous year. State revenue in 2016 is projected to be 2.1% more than the prior year. The District adopted a balanced budget for 2016.

During the fall of 2015, the District's student enrollment was 1,585, representing an increase of 74 students as compared to the fall of 2014. 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 360 students, reflecting a 29% increase in enrollment since 2005-2006. The District added no major new programs or initiatives to the 2016 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 to provide our citizens, 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, 4005 Winans Road, San Antonio, Texas 78234.

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## Basic Financial Statements

# Fort Sam Houston Independent School District

## Exhibit A-1

### Statement of Net Position

August 31, 2015

<u>Data Control Codes</u>		<u>Primary Government</u>
		<u>Governmental Activities</u>
<b>Assets</b>		
1110	Cash and cash equivalents	\$ 15,006,270
1240	Due from other governments	3,318,876
1300	Inventories	8,501
	Capital assets:	
1520	Buildings and improvements – net	42,519,058
1530	Furniture and equipment – net	1,188,444
1580	Construction in progress	<u>684,107</u>
1000	<b>Total assets</b>	<b>\$ <u>62,725,256</u></b>
<b>Deferred Outflow of Resources</b>		
1705	Deferred outflow – pension	<u>\$ 135,391</u>
1700	<b>Total deferred outflow of resources</b>	<b>\$ <u>135,391</u></b>
<b>Liabilities</b>		
2110	Accounts payable	\$ 1,311,815
2110	Retainage payable	483,872
2150	Payroll deductions and withholdings	130,954
2160	Accrued wages payable	319,357
2180	Due to other governments	143,175
2200	Accrued expenditures	56,153
2300	Unearned revenue	2,017,117
	Noncurrent liabilities:	
2501	Due within one year	173,689
2502	Due in more than one year	61,324
2540	Net pension liability (District's share)	<u>701,013</u>
2000	<b>Total liabilities</b>	<b>\$ <u>5,398,469</u></b>
<b>Deferred Inflow of Resources</b>		
2605	Deferred inflow – pension	<u>\$ 214,442</u>
2600	<b>Total deferred inflow of resources</b>	<b>\$ <u>214,442</u></b>
<b>Net Position</b>		
3200	Investment in capital assets	\$ 44,391,609
	Restricted for:	
3820	Federal and state programs	75,538
3900	Unrestricted	<u>12,780,589</u>
3000	<b>Total net position</b>	<b>\$ <u>57,247,736</u></b>

The accompanying notes are an integral part of this statement.

# Fort Sam Houston Independent School District

## Exhibit B-1

### Statement of Activities

Year Ended August 31, 2015

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues			5 Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	Primary Governmental Activities		
Primary government:							
Governmental activities:							
0011	Instruction	\$ 12,813,955	\$ 32,386	\$ 1,370,605	\$ -	\$ (11,410,964)	
0012	Instructional resources and media services	323,010	-	13,899	-	(309,111)	
0013	Curriculum and instructional staff development	797,578	-	504,719	-	(292,859)	
0021	Instructional leadership	524,362	-	65,286	-	(459,076)	
0023	School leadership	1,358,061	-	73,198	-	(1,284,863)	
0031	Guidance, counseling, and evaluation services	909,940	-	292,778	-	(617,162)	
0033	Health services	358,964	-	50,884	-	(308,080)	
0034	Student (pupil) transportation	596,669	-	27,628	-	(569,041)	
0035	Food services	799,060	327,258	325,138	-	(146,664)	
0036	Extracurricular activities	730,535	23,081	29,845	-	(677,609)	
0041	General administration	1,158,281	-	51,264	-	(1,107,017)	
0051	Facilities maintenance and operations	2,230,378	-	24,284	-	(2,206,094)	
0052	Security and monitoring services	45,585	-	826	-	(44,759)	
0053	Data processing services	1,046,848	-	39,685	-	(1,007,163)	
0081	Facilities acquisition and construction	-	-	-	3,021,955	3,021,955	
0093	Payments related to shared services	<u>1,032,561</u>	<u>1,552,677</u>	<u>-</u>	<u>-</u>	<u>520,116</u>	
TP	Total primary government	\$ <u>24,725,787</u>	\$ <u>1,935,402</u>	\$ <u>2,870,039</u>	\$ <u>3,021,955</u>	<u>(16,898,391)</u>	
General revenues:							
SF	State aid – formula grants					10,433,888	
GC	Grants and contributions					10,407,549	
IE	Investment earnings					<u>11,827</u>	
TR	Total general revenues					<u>20,853,264</u>	
CN	Change in net position					3,954,873	
NB	Net position at beginning of year – as restated (see Note S)					<u>53,292,863</u>	
NE	Net position at end of year					<u>\$ 57,247,736</u>	

The accompanying notes are an integral part of this statement.

# Fort Sam Houston Independent School District

## Exhibit C-1

### Balance Sheet – Governmental Funds

August 31, 2015

<u>Data Control Codes</u>	<u>10 General Fund</u>	<u>60 Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
1110	\$ 13,461,759	\$ 1,363,606	\$ 180,905	\$ 15,006,270
1240	377,146	1,585,938	1,355,792	3,318,876
1260	1,273,212	-	-	1,273,212
1300	-	-	8,501	8,501
1000	<u>\$ 15,112,117</u>	<u>\$ 2,949,544</u>	<u>\$ 1,545,198</u>	<u>\$ 19,606,859</u>
<b>Liabilities</b>				
2110	\$ 168,224	\$ 1,024,884	\$ 118,707	\$ 1,311,815
2110	-	483,872	-	\$ 483,872
2150	130,954	-	-	130,954
2160	280,822	-	38,535	319,357
2170	-	-	1,273,212	1,273,212
2180	143,175	-	-	143,175
2200	43,061	-	13,092	56,153
2300	-	2,017,117	-	2,017,117
2000	<u>766,236</u>	<u>3,525,873</u>	<u>1,443,546</u>	<u>5,735,655</u>
<b>Fund Balances (Deficits)</b>				
Nonspendable:				
3410	-	-	8,501	8,501
Restricted:				
3450	-	-	75,538	75,538
Committed:				
3510	6,000,000	-	-	6,000,000
3545	-	-	26,114	26,114
3600	<u>8,345,881</u>	<u>(576,329)</u>	<u>(8,501)</u>	<u>7,761,051</u>
3000	<u>14,345,881</u>	<u>(576,329)</u>	<u>101,652</u>	<u>13,871,204</u>
4000	<u>\$ 15,112,117</u>	<u>\$ 2,949,544</u>	<u>\$ 1,545,198</u>	<u>\$ 19,606,859</u>

The accompanying notes are an integral part of this statement.

# Fort Sam Houston Independent School District

## Exhibit C-2

### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

August 31, 2015

Total fund balances – Governmental Funds	\$ 13,871,204
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets – net of accumulated depreciation are not recorded in the Governmental Funds	44,391,609
Payables for compensated absences are not reported in the Governmental Funds	(235,013)
Impact of implementing GASB Statement No. 68:	
Recognition of the District’s proportionate share of net pension liability	(701,013)
Deferred outflows of resources	135,391
Deferred inflows of resources	<u>(214,442)</u>
Net position of governmental activities	\$ <u><u>57,247,736</u></u>

*The accompanying notes are an integral part of this statement.*

# Fort Sam Houston Independent School District

## Exhibit C-3

### Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) – Governmental Funds

Year Ended August 31, 2015

<u>Data Control Codes</u>	<u>10 General Fund</u>	<u>60 Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
5700 Total local and intermediate sources	\$ 54,632	\$ -	\$ 1,892,597	\$ 1,947,229
5800 State program revenues	11,369,126	-	126,731	11,495,857
5900 Federal program revenues	<u>10,407,549</u>	<u>3,021,955</u>	<u>1,808,070</u>	<u>15,237,574</u>
5000 Total revenues	<u>21,831,307</u>	<u>3,021,955</u>	<u>3,827,398</u>	<u>28,680,660</u>
<b>Expenditures</b>				
Current:				
0011 Instruction	9,565,272	-	1,942,592	11,507,864
0012 Instructional resources and media services	288,637	-	-	288,637
0013 Curriculum and instructional staff development	220,775	-	491,640	712,415
0021 Instructional leadership	185,564	-	283,080	468,644
0023 School leadership	1,201,816	-	11,933	1,213,749
0031 Guidance, counseling, and evaluation services	505,512	-	307,483	812,995
0033 Health services	206,571	-	114,196	320,767
0034 Student (pupil) transportation	680,098	-	16,816	696,914
0035 Food services	19,253	-	694,572	713,825
0036 Extracurricular activities	652,668	-	-	652,668
0041 General administration	1,007,823	-	27,147	1,034,970
0051 Facilities maintenance and operations	2,017,060	-	24,185	2,041,245
0052 Security and monitoring services	40,718	-	-	40,718
0053 Data processing services	939,675	-	42,895	982,570
Capital outlay:				
0081 Facilities acquisition and construction	-	10,518,190	-	10,518,190
Intergovernmental:				
0093 Payments related to shared services arrangement	<u>1,032,561</u>	<u>-</u>	<u>-</u>	<u>1,032,561</u>
6030 Total expenditures	<u>18,564,003</u>	<u>10,518,190</u>	<u>3,956,539</u>	<u>33,038,732</u>
<b>Other Financing Sources (Uses)</b>				
7915 Transfers in	-	7,012,364	64,778	7,077,142
8911 Transfers out	<u>(7,077,142)</u>	<u>-</u>	<u>-</u>	<u>(7,077,142)</u>
7080 Total other financing sources (uses)	<u>(7,077,142)</u>	<u>7,012,364</u>	<u>64,778</u>	<u>-</u>
1200 Net change in fund balances	(3,809,838)	(483,871)	(64,363)	(4,358,072)
0100 Fund balances at beginning of year	<u>18,155,719</u>	<u>(92,458)</u>	<u>166,015</u>	<u>18,229,276</u>
3000 Fund balances (deficits) at end of year	<u>\$ 14,345,881</u>	<u>\$ (576,329)</u>	<u>\$ 101,652</u>	<u>\$ 13,871,204</u>

The accompanying notes are an integral part of this statement.

# Fort Sam Houston Independent School District

## Exhibit C-4

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) of Governmental Funds to the Statement of Activities

Year Ended August 31, 2015

Net change in fund balances – Governmental Funds	\$ (4,358,072)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets are expensed in the Governmental Funds and capitalized in the statement of net position	10,840,733
Net capital asset deletions	(9,887)
Depreciation of capital assets used in governmental activities is not reported in the funds	(2,574,688)
Expense for compensated absences is not reported in the Governmental Funds	42,600
Impact of implementing GASB Statement No. 68:	
De-expend contributions made after the measurement date	78,983
Record current year pension expense	<u>(64,796)</u>
Change in net position of governmental activities	\$ <u>3,954,873</u>

*The accompanying notes are an integral part of this statement.*

# Fort Sam Houston Independent School District

## Exhibit E-1

### Statement of Fiduciary Assets and Liabilities – Agency Fund

August 31, 2015

	<u>Agency Fund</u>	<u>Student Activity Fund</u>
<b>Assets</b>		
Cash and cash equivalents	\$ <u>133,577</u>	
<b>Total assets</b>	\$ <u><u>133,577</u></u>	
<b>Liabilities</b>		
Accounts payable	\$ 1,065	
Due to student groups		<u>132,512</u>
<b>Total liabilities</b>	\$ <u><u>133,577</u></u>	

*The accompanying notes are an integral part of this statement.*

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

### Note A – Summary of Significant Accounting Policies

The basic financial statements of Fort Sam Houston Independent School District (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to governmental units in conjunction with the Texas Education Agency’s (“TEA”) *Financial Accountability System Resource Guide* (“Resource Guide”). The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### 1. Reporting Entity

The Board of 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. All powers and duties not specifically delegated by statute to TEA or to the State Board of Education are reserved for the Board, and TEA may not substitute its judgment for the lawful exercise of those powers and duties of the Board. The District receives funding from local, state, and federal government sources and must comply with the requirements of those funding entities. The District is not included in any other governmental “reporting entity,” as defined by GASB. There are no component units included within the reporting entity.

#### 2. Basis of Presentation, Basis of Accounting

##### a. Basis of Presentation

*Government-Wide Financial Statements:* The statement of net position and statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through intergovernmental revenues and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are classified as program revenues are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the District’s funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major Governmental Funds, each displayed in a separate column. All remaining Governmental Funds are aggregated and reported as nonmajor funds.

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

The District reports the following major Governmental Funds:

*General Fund* – This is the District’s primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

*Capital Projects Funds* – These funds are used to account for resources and expenditures relating to the acquisition of capital facilities.

In addition, the District reports the following fund type:

*Special Revenue Funds* – These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Most federal and some state financial assistance is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of the specified project periods.

*Agency Fund* – This fund is used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). The fund typically involves only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

### b. Measurement Focus, Basis of Accounting

*Government-Wide and Fiduciary Fund Financial Statements:* These financial statements are reported using the economic resources measurement focus. The agency funds are custodial in nature and do not involve measurement of results of operations. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include Impact Aid received in lieu of property taxes, grants, entitlements, and donations. Revenue from Impact Aid is recognized in the fiscal year for which the funds are received. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Funds Financial Statements:* Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues, other than grants, reported in the Governmental Funds to be available if the revenues are collected within 60 days after year-end. Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred and all eligibility requirements have been met. Impact Aid revenues and revenues received from the state are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in Governmental Funds. Proceeds of debt and acquisitions under capital leases are reported as other financing sources.

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Net position now represents the residual of assets and deferred outflows of resources less liabilities and deferred inflows of resources.

### c. GASB Implementation

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, ("GASB Statement No. 68"), to improve accounting and financial reporting by state and local governments for pensions. It also improved information provided by state and local government employers about financial support for pensions provided by other entities. GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

## 3. Financial Statement Amounts

### a. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

### b. Inventories and Prepaid Items

The District reports inventories on the balance sheet at cost. Inventories of governmental funds are recorded as expenditures when they are consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

### c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is not capitalized. A capitalization threshold of \$5,000 is used.

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	20-30 years
Vehicles	2-15 years
Furniture and equipment	3-15 years
Computer equipment	3-15 years

d. Compensated Absences

The District's policies do not provide for accumulation of vacation time, but do provide for accumulation of sick pay, which is payable on resignation, retirement, or death for employees retiring under the Teacher Retirement System of Texas ("TRS").

e. Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables, as appropriate. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. All interfund transactions between governmental funds are eliminated in the government-wide financial statements.

f. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

g. Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the Resource Guide. School districts are required to display these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide data base for policy development and funding plans.

h. Budgets

The Board adopts an "appropriated budget" on a basis consistent with GAAP for the General Fund and Child Nutrition Program Fund. The General Fund budget report is presented in Exhibit G-1 and the Child Nutrition Program budget report is presented in Exhibit J-4. The Special Revenue Funds and Capital Projects Fund adopt project-length budget, which do not correspond to the District's fiscal year.

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

The following procedures are followed in establishing the budgetary data:

- (1) Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year that begins September 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) A meeting of the Board is called for the purpose of adopting the proposed budget after ten days' public notice of the meeting being given.
- (3) A summary of the proposed budget is posted on the District's Internet website. The budget summary includes a comparison to the previous year's actual spending and information relating to per-student and aggregate spending on instruction, instructional support, central administration, District operations, debt service, and any other category designated by the commissioner.
- (4) 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. During the year, several amendments were necessary.

Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. The District had the following budget amendments during the year. All budget appropriations lapse at year-end.

	<u>Original Budget</u>	<u>Increase</u>	<u>Amended Budget</u>
General Fund	\$ 18,108,180	\$ 497,335	\$ 18,605,515
Child Nutrition Program	670,000	42,000	712,000

i. Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances that were provided in the subsequent year's budget.

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

### j. Investments

The District's general investment accounting policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at the time of purchase. Nonnegotiable certificates of deposit ("CDs") are examples of nonparticipating interest-earning investment contracts.

### k. Net Position

Net position represents the difference between assets plus deferred outflow of resources less liabilities less deferred inflows of resources. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, if any. Net position restricted for special revenue grants is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position is comprised of the remainder of net position that has no restrictions.

### l. Fund Balance

In the fund financial statements, the District uses the following criteria when classifying fund balance amounts:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form. The "not in spendable form" criteria includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

*Restricted* – The fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. Legal enforceability means that the District can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purposes specified by the legislation.

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to the fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. The committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted or committed. In Governmental Funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board, a District official delegated that authority by the Board, or by resolution.

*Unassigned* – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other Governmental Funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers amounts to have been spent first out of restricted fund balances, followed by committed fund balances, then assigned fund balances, and finally unassigned funds balances, as needed, unless the Board or its delegated official has provided otherwise in its commitment or assignment actions.

### m. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District's deferred outflows of resources consist of deferred charges for pension contributions made after the measurement date of August 31, 2014 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 net 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 District's proportionate share of the deferred inflow for the difference between the projected and actual investment earnings in the pension plan.

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

### Note B – Compliance and Accountability

#### 1. Deficit Fund Balance of Individual Funds

Following are fund has a deficit balance at year-end, if any, along with remarks which address such deficit:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Capital Projects	\$ 576,329	The District will transfer funds from General Operating

### Note C – Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

#### *Cash Deposits*

At August 31, 2015, the carrying amount of the District's deposits (cash and interest-bearing savings accounts) was \$2,243,452, and the bank balance was \$2,650,812. The District also held \$475 in petty cash. The District's cash deposits as of and for the year ended August 31, 2015 were covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Frost Bank; San Antonio, Texas
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$7,583,858.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$5,660,370 and occurred during the month of February 2015.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

### **Investments**

The District is required by Government Code Chapter 2256, The Public Funds Investment Act (the "Act"), 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, and (9) bid solicitation preferences for CDs.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the United States Treasury, certain United States agencies, and the state of Texas; (2) CDs; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers acceptances; (7) mutual funds; (8) investment pools; (9) guaranteed investment contracts; and (10) common trust funds.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's investment policy limits maturities of investments to less than one year from the time of purchase.

<u>Description</u>	<u>Weighted-Average Maturity</u>	<u>Fair Value</u>
TexPool Investment Fund	41 days	\$ 3,238,768
Lone Star Investment Fund	60 days	4,388
Fidelity Money Market Fund	N/A	<u>9,519,187</u>
Total investments		\$ <u><u>12,762,343</u></u>

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

### **Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required, where applicable, by the District's investment policy and the Act and the actual rating per Standard and Poor's, as of August 31, 2015, for each investment:

<u>Description</u>	<u>Minimum Legal Rating</u>	<u>Investment Rating</u>	<u>Fair Value</u>
TexPool Investment Fund	AAA	AAAm	\$ 3,238,768
Lone Star Investment Fund	AAA	AAAm	4,388
Fidelity Money Market Fund	AAA	AAAm	<u>9,519,187</u>
Total investments			\$ <u><u>12,762,343</u></u>

### **Public Funds Investment Pools**

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, (2) maintain a continuous rating of no lower than AAA, AAAm, or an equivalent rating by at least one nationally recognized rating service, and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at book value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District believes that the pools in which it invests operate as 2a7-like pools, as discussed in GASB Statement No. 59, *Financial Instrument Omnibus*.

The Texas Comptroller of Public Accounts oversees TexPool. Administrative and investment services are provided by Federated Investors, Inc. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy. This Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

Lone Star Investment Pool ("Lone Star") is governed by an 11 member board that 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 Lone Star.

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

### Note D – Due From Other Governments

The District participates in a variety of federal, state, and local programs from which it receives grants to partially or fully finance certain activities. Amounts due from federal, state, and local governments as of August 31, 2015 are summarized below and are reported on the government-wide statement of net position as due from other governments:

	<u>Federal Government</u>	<u>Grants Passed Through TEA</u>	<u>Other Governments</u>	<u>Total</u>
General Fund	\$ -	\$ 377,146	\$ -	\$ 377,146
Capital Projects Fund	1,585,938	-	-	1,585,938
Other Governmental Funds	<u>1,131,757</u>	<u>9,305</u>	<u>214,730</u>	<u>1,355,792</u>
	<u>\$ 2,717,695</u>	<u>\$ 386,451</u>	<u>\$ 214,730</u>	<u>\$ 3,318,876</u>

### Note E – Interfund Balances and Activities

#### 1. Interfund Receivables and Payables

Balances due to and from other funds at August 31, 2015 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,273,212

Receivables in the General Fund represent amounts paid for grant programs, prior to receiving reimbursement on these programs. All amounts due are scheduled to be repaid within one year.

#### 2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2015 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Capital Projects Fund	\$ 7,012,364	Transfer for construction expenditures
General Fund	Other Governmental Funds	<u>64,778</u>	Transfer for child nutrition program
		<u>\$ 7,077,142</u>	

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

### Note F – Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 681,921	\$ 10,062,082	\$ -	\$ (10,059,896)	\$ 684,107
Total capital assets not being depreciated	<u>681,921</u>	<u>10,062,082</u>	<u>-</u>	<u>(10,059,896)</u>	<u>684,107</u>
Capital assets being depreciated:					
Buildings and improvements	56,875,613	461,166	-	10,059,896	67,396,675
Furniture and equipment	<u>3,872,390</u>	<u>317,485</u>	<u>(185,398)</u>	<u>-</u>	<u>4,004,477</u>
Total capital assets being depreciated	<u>60,748,003</u>	<u>778,651</u>	<u>(185,398)</u>	<u>10,059,896</u>	<u>71,401,152</u>
Less accumulated depreciation for:					
Buildings and improvements	(22,608,238)	(2,269,379)	-	-	(24,877,617)
Furniture and equipment	<u>(2,686,235)</u>	<u>(305,309)</u>	<u>175,511</u>	<u>-</u>	<u>(2,816,033)</u>
Total accumulated depreciation	<u>(25,294,473)</u>	<u>(2,574,688)</u>	<u>175,511</u>	<u>-</u>	<u>(27,693,650)</u>
Total capital assets being depreciated – net	<u>35,453,530</u>	<u>(1,796,037)</u>	<u>(9,887)</u>	<u>10,059,896</u>	<u>43,707,502</u>
Governmental activities capital assets – net	<u>\$ 36,135,451</u>	<u>\$ 8,266,045</u>	<u>\$ (9,887)</u>	<u>\$ -</u>	<u>\$ 44,391,609</u>

Depreciation for the year ended August 31, 2015 was charged to functions as follows:

Instruction	\$ 1,378,871
Instructional resources and media services	34,585
Curriculum and instructional staff development	85,362
Instructional leadership	56,153
School leadership	145,431
Guidance, counseling, and evaluation services	97,413
Health services	38,434
Student (pupil) transportation	83,504
Food services	85,530
Extracurricular activities	78,203
General administration	124,010
Facilities maintenance and operations	244,582
Security and monitoring services	4,879
Data processing services	<u>117,731</u>
	<u>\$ 2,574,688</u>

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

### Note G – 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, 2015 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*	\$ <u>277,613</u>	\$ <u>170,453</u>	\$ <u>213,053</u>	\$ <u>235,013</u>	\$ <u>173,689</u>
Total governmental activities	\$ <u>277,613</u>	\$ <u>170,453</u>	\$ <u>213,053</u>	\$ <u>235,013</u>	\$ <u>173,689</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

### Note H – Revenues From Local and Intermediate Sources

During fiscal year 2015, revenues from local and intermediate sources consisted of the following:

	<u>General Fund</u>	<u>Capital Projects Funds</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Athletic activities	\$ 22,588	\$ -	\$ 493	\$ 23,081
Investment earnings	11,827	-	-	11,827
Miscellaneous	20,217	-	12,169	32,386
Food sales	-	-	327,258	327,258
Shared services arrangement	-	-	1,552,677	1,552,677
Total	\$ <u>54,632</u>	\$ <u>-</u>	\$ <u>1,892,597</u>	\$ <u>1,947,229</u>

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

### Note I – General Fund Federal Source Revenues

Federal revenues included in the General Fund for the year ended August 31, 2015 are as follows:

<u>Program or Source</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
Impact Aid – P.L. 103-382	84.041	\$ 10,096,293
Department of Defense Supplemental ROTC	12.558 12.000	265,139 46,117
		<u>\$ 10,407,549</u>

### Note J – Risk Management

The District is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

### Note K – Pension Plan

#### 1. Plan Description

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

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

#### 2. Pension Plan Fiduciary Net Position

The fiduciary net position of 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' 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.

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

Detailed information about TRS' fiduciary net position is available in a separately issued Comprehensive Annual Financial Report ("CAFR") 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, Texas, 78701-2698; or by calling (512) 542-6592.

### 3. 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% (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 cost of living adjustments ("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.

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

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

	<u>2015</u>	<u>2014</u>
Member	6.7%	6.4%
NECE	6.8%	6.8%
Employers	6.8%	6.8%
District's 2014 employer contributions		\$ 66,536
District's 2014 member contributions		\$ 805,940
District's 2014 NECE contributions – unaudited		\$ 797,897

Contributors to the plan include members, the District, and the State of Texas as the only nonemployer contributing entity (“NECE”). The state is the employer for senior colleges, medical schools, and state agencies, including TRS. In each respective role, the state contributes to the plan in accordance with state statutes and the GAA.

As the NECE for public education and junior colleges, the state of Texas contributes to TRS 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 District. The District is 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.
- When the employing district is a public junior college or junior college district, the district shall contribute to TRS an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the District’s employer contributions listed above, when employing a retiree of TRS the District shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

### 5. Actuarial Assumptions

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

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-Term Expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

*\*Includes inflation of 3%*

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

### **6. Discount Rate**

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing district and the NECE 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-estimate 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 TRS' target asset allocation as of August 31, 2014 are summarized on the following page.

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
<b>Global Equity:</b>			
U.S.	18%	7.00%	1.4%
Non-U.S. Developed	13%	7.30%	1.1%
Emerging Markets	9%	8.10%	0.9%
Directional Hedge Funds	4%	5.40%	0.2%
Private Equity	13%	9.20%	1.4%
<b>Stable Value:</b>			
U.S. Treasuries	11%	2.90%	0.3%
Absolute Return	-	4.00%	-
Stable Value Hedge Funds	4%	5.20%	0.2%
Cash	1%	2.00%	0.0%
<b>Real Return:</b>			
Global Inflation Linked Bonds	3%	3.10%	-
Real Assets	16%	7.30%	1.5%
Energy and Natural Resources	3%	8.80%	0.3%
Commodities	0%	3.40%	-
<b>Risk Parity:</b>			
Risk Parity	5%	8.90%	0.4%
Alpha	-	-	1.0%
<b>Total</b>	<u>100%</u>		<u>8.7%</u>

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

### 7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 net pension liability.

	<u>1% Decrease in Discount Rate (7%)</u>	<u>Discount Rate (8%)</u>	<u>1% Increase in Discount Rate (9%)</u>
District's proportionate share of the net pension liability	\$ 1,252,668	\$ 701,013	\$ 288,478

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

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

At August 31, 2015, the District reported a liability of \$701,013 for its proportionate share of the TRS' net pension liability. This liability reflects a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 701,013
State's proportionate share that is associated with the District – unaudited	<u>8,424,474</u>
 Total net pension liability	 <u>\$ 9,125,487</u>

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 through August 31, 2014.

At August 31, 2014, the District's proportion of the collective net pension liability was 0.0026244% which was a decrease of 0.0400000% from its proportion measured as of August 31, 2013. The change in proportion was immaterial and therefore disregarded this year.

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the District's reporting date. A 1.5% contribution for employers not paying OASDI on certain employees went into effect September 1, 2014. The amount of the expected resultant change in the District's proportion cannot be determined at this time.

For the year ended August 31, 2015, the District recognized pension expense of \$778,827 and revenue of \$778,827 for support provided by the state (unaudited). The District also recognized its proportionate share of pension expense of \$64,796.

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual economic experience	\$ 10,841	\$ -
Changes in actuarial assumptions	45,567	-
Difference between projected and actual investment earnings	-	214,258
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	-	184
Contributions paid to TRS subsequent to the measurement date	<u>78,983</u>	<u>-</u>
 Total	 <u>\$ 135,391</u>	 <u>\$ 214,442</u>

The net amounts of the District'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>
2016	\$ (44,080)
2017	(44,080)
2018	(44,080)
2019	(44,080)
2020	9,485
Thereafter	8,801
	-

### Note L – Medicare Part D

Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One provision of the law allows the Texas Public School Retired Employees Group Insurance Program ("TRS-Care") to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible participants and early retirees under the Early Retiree Reinsurance Program. These payments totaled \$54,648, \$33,008, and \$32,385, for the years ended August 31, 2015, 2014, and 2013, respectively.

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

### Note L – School District Retiree Health Plan

#### 1. Plan Description

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

#### 2. Funding Policy

Contribution requirements are not actuarially determined, but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for fee basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2015-2013.

Contribution Rates and Amounts						
Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2015	0.65%	\$ 85,972	1.00%	\$ 132,265	0.55%	\$ 72,746
2014	0.65%	81,853	1.00%	125,928	0.55%	69,260
2013	0.65%	72,061	0.50%	60,952	0.55%	67,047

### Note M – Health Care Coverage

During the year ended August 31, 2015, employees of the District were covered by a health insurance plan (the "Plan"). The District contributed \$350 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a third-party administrator, acting on behalf of the TRS Active Care self-funded pool. The Plan was authorized by Section 21.922, Texas Education Code ("TEC"), and was documented by contractual agreement.

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

The contract between the District and the third-party administrator is for an indefinite period, continuing until terminated by either party. Terms of the agreement, including coverages available and premium costs, are included in the contractual provisions. The contract with the insurer is an annual contract that coincides with the District's fiscal year.

The insurance company providing health care coverage for the year ended August 31, 2015 was TRS Active Care, administrated by Blue Cross/Blue Shield. The latest financial statements for Blue Cross/Blue Shield are available for the year ended December 31, 2015. They have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

### Note N – Commitments and Contingencies

#### 1. Contingencies

The District participates in 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 the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable 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 basic financial statements for such contingencies.

#### 2. Litigation

No reportable litigation was pending against the District at August 31, 2015.

#### 3. Construction Commitments

As of August 31, 2015, the District had committed under the terms of an agreement for the construction of the following projects:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Commitment Balance Remaining</u>	<u>Retainage</u>
Robert G. Cole High School Cafeteria Renovation and Elementary School* Music Building*	\$ 10,217,931 4,012,286	\$ 9,223,326 454,116	\$ 994,605 3,558,170	\$ 461,166 22,706

\* The Department of Education Impact Aid Construction Grants will provide partial funding for these projects. As of August 31, 2015, the District has received \$801,645 and \$2,651,489, respectively, for these projects. The remaining funds will come from the District's fund balance committed for construction.

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

### Note O – 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	\$ 210,084	\$ 16,240	\$ 65,460	\$ 270,455
Randolph Field ISD	210,084	16,240	65,460	249,662
Fort Sam Houston ISD	<u>210,084</u>	<u>16,240</u>	<u>65,460</u>	<u>1,032,561</u>
Total	<u>\$ 630,252</u>	<u>\$ 48,720</u>	<u>\$ 196,380</u>	<u>\$ 1,552,678</u>

### Note P – Property Casualty Alliance of Texas – GASB Report

As of the insurance fund year ended February 28, 2015, the District met its statutory property casualty obligations through participation in the Property Casualty Alliance of Texas (the “Fund”). The Fund was created pursuant to the provisions of the Interlocal Cooperation Act, Chapter 791, Title 7, of the Texas Government Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides property and casualty coverage and services to its members.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund’s self-insured retentions. 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 reserve adequacy and fully funds those reserves. As of August 31, 2015, the District will have no additional liability beyond the contractual obligations for payment of contributions.

# Fort Sam Houston Independent School District

## Notes to the Financial Statements

August 31, 2015

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on the last day of February. The audit is approved by the Fund's board of trustees in October of the same year. The Fund's audited financial statements as of February 28, 2015 are available at the Property Casualty Alliance of Texas' offices.

### Note Q – Unemployment Compensation Pool

During the year ended August 31, 2015, 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 members.

The TASB 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 TASB Fund's Board of Trustees in February of the following year. The TASB Fund's audited financial statements as of August 31, 2014 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

### Note R – 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 \$116,367 in to the SchoolComp Fund in fiscal year 2015. As of August 31, 2015, the District does not anticipate any significant liability beyond the contribution payments made during the fiscal year.

### Note S – Prior Period Adjustment – Adoption of GASB No. 68

Net position at September 1, 2014 – as previously reported	\$ 54,087,114
Adoption of GASB Statement No. 68:	
Record beginning net pension liability	(859,879)
Remove contributions made during fiscal year 2014	<u>65,628</u>
Net position at September 1, 2014 – as restated	<u>\$ 53,292,863</u>

## *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board, but is not considered a part of the basic financial statements.

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# Fort Sam Houston Independent School District

## Exhibit G-1

### Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund

Year Ended August 31, 2015

Data Control Codes	Budgeted Amounts			Variance With Final Budget Positive (Negative)	
	Original	Final	Actual		
<b>Revenues</b>					
5700	Total local and intermediate sources	\$ 26,200	\$ 51,500	\$ 54,632	\$ 3,132
5800	State program revenues	11,112,980	11,322,708	11,369,126	46,418
5900	Federal program revenues	7,000,000	9,733,360	10,407,549	674,189
5020	Total revenues	18,139,180	21,107,568	21,831,307	723,739
<b>Expenditures</b>					
Current:					
0011	Instruction	9,391,135	9,471,135	9,565,272	(94,137)
0012	Instructional resources and media services	291,037	311,037	288,637	22,400
0013	Curriculum and instructional staff development	240,630	240,630	220,775	19,855
0021	Instructional leadership	182,731	190,731	185,564	5,167
0023	School leadership	1,088,719	1,200,719	1,201,816	(1,097)
0031	Guidance, counseling, and evaluation services	508,282	508,282	505,512	2,770
0033	Health services	207,727	212,727	206,571	6,156
0034	Student (pupil) transportation	558,077	675,627	680,098	(4,471)
0035	Food services	18,472	19,257	19,253	4
0036	Extracurricular activities	618,762	650,762	652,668	(1,906)
0041	General administration	879,004	941,004	1,007,823	(66,819)
0051	Facilities maintenance and operations	1,955,445	2,033,445	2,017,060	16,385
0052	Security and monitoring services	15,477	41,477	40,718	759
0053	Data processing services	903,144	949,144	939,675	9,469
Intergovernmental:					
0093	Payments related to shared services arrangement	1,249,538	1,159,538	1,032,561	126,977
6030	Total expenditures	18,108,180	18,605,515	18,564,003	41,512
1100	Excess of revenues over expenditures	31,000	2,502,053	3,267,304	765,251
<b>Other Financing Sources (Uses)</b>					
8911	Transfers out (use)	(31,000)	(8,610,267)	(7,077,142)	1,533,125
1200	Net change in fund balance	-	(6,108,214)	(3,809,838)	2,298,376
0100	Fund balance at beginning of year	15,826,080	15,826,080	18,155,719	2,329,639
3000	Fund balance at end of year	\$ 15,826,080	\$ 9,717,866	\$ 14,345,881	\$ 4,628,015

# Fort Sam Houston Independent School District

## Exhibit G-2

### Schedule of the District's Proportionate Share of the Net Pension Liability – TRS

Year Ended August 31, 2015

District's proportion of the net pension liability	0.0026244%
District's proportionate share of net pension liability	\$ 701,013
State's proportionate share of the net pension liability associated with the District	<u>8,424,474</u>
Total	<u>\$ 9,125,487</u>
District's covered-employee payroll (fiscal year 2014)	\$ 7,243,068
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	9.68%
TRS plan fiduciary net position as a percentage of the total pension liability	83.25%

Note: GASB Statement No. 68 requires this schedule to be presented for a ten-year period. The District adopted GASB Statement No. 68 during 2015, therefore, only the first year (2015) is presented. The full trend information will be accumulated over the next nine years.

# Fort Sam Houston Independent School District

## Exhibit G-3

### Schedule of the District's Contributions – TRS

Year Ended August 31, 2015

Contractually required contribution	\$ 78,983
Contribution in relation to the contractually required contribution	<u>(78,983)</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>
District's covered-employee payroll (fiscal year 2015)	\$ 7,530,695
Contributions as a percentage of covered-employee payroll	1.05%

Note: GASB Statement No. 68 requires this schedule to be presented for a ten-year period. The District adopted GASB Statement No. 68 during 2015, therefore, only the first year (2015) is presented. The full trend information will be accumulated over the next nine years.

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## Other Supplementary Information Section

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information that is required by other entities.

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# Fort Sam Houston Independent School District

## Exhibit J-4

### Schedule of Revenues, Expenditures, and Changes in Fund Balance

#### Budget and Actual – Child Nutrition Program

Year Ended August 31, 2015

<u>Data Control Codes</u>		<u>Budgeted Amounts</u>			<u>Variance With Final Budget Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	<u>Actual</u>	
	<b>Revenues</b>				
5700	Total local and intermediate sources	\$ 330,000	\$ 312,000	\$ 327,258	\$ 15,258
5800	State program revenues	4,500	4,500	4,497	(3)
5900	Federal program revenues	<u>304,500</u>	<u>301,600</u>	<u>307,631</u>	<u>6,031</u>
5020	Total revenues	<u>639,000</u>	<u>618,100</u>	<u>639,386</u>	<u>21,286</u>
	<b>Expenditures</b>				
	Current:				
0035	Food services	653,800	695,800	694,572	1,228
0051	Facilities maintenance and operations	<u>16,200</u>	<u>16,200</u>	<u>13,719</u>	<u>2,481</u>
6030	Total expenditures	<u>670,000</u>	<u>712,000</u>	<u>708,291</u>	<u>3,709</u>
1100	Deficiency of revenues under expenditures	(31,000)	(93,900)	(68,905)	24,995
	<b>Other Financing Sources</b>				
7915	Transfers in	<u>31,000</u>	<u>93,900</u>	<u>64,778</u>	<u>(29,122)</u>
1200	Net change in fund balance	-	-	(4,127)	(4,127)
0100	Fund balance at beginning of year	<u>27,730</u>	<u>27,730</u>	<u>4,127</u>	<u>23,603</u>
3000	Fund balance at end of year	<u>\$ 27,730</u>	<u>\$ 27,730</u>	<u>\$ -</u>	<u>\$ 27,730</u>

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## Compliance Section

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# Padgett Stratemann

## 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  
Fort Sam Houston Independent School District  
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Sam Houston Independent School District (the "District") as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 14, 2016, which included a reference to restatement of net position.

### ***Internal Control Over Financial Reporting***

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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.

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### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Public Funds Investment Act.

### ***Purpose of This Report***

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

*Padgett, Stratemann + Co., L.L.P.*

San Antonio, Texas

January 14, 2016



# Padgett Stratemann

## Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance as Required by OMB Circular A-133

To the Board of Trustees  
Fort Sam Houston Independent School District  
San Antonio, Texas

### ***Report on Compliance for the Major Federal Program***

We have audited Fort Sam Houston Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended August 31, 2015. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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### ***Opinion on the Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2015.

### ***Report on Internal Control Over Compliance***

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

### ***Purpose of This Report***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Padgett, Stratemann + Co., L.L.P.*

San Antonio, Texas  
January 14, 2016

# Fort Sam Houston Independent School District

## Schedule of Findings and Questioned Costs

Year Ended August 31, 2015

### A. Summary of Auditor's Results

#### 1. Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>      </u> Yes	<u>  X  </u> None Reported	
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> No	

#### 2. Federal Awards

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>		
Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>      </u> Yes	<u>  X  </u> None Reported	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u>      </u> Yes	<u>  X  </u> No	
Identification of major program:			
<u>CFDA number(s):</u>	<u>Name of Federal Program or Cluster:</u>		
84.041	Impact Aid – P.L. 103-382		
Dollar threshold used to distinguish between type A and type B programs:	<u>\$371,285</u>		
Auditee qualified as low-risk auditee?	<u>  X  </u> Yes	<u>      </u> No	

### B. Financial Statement Findings

None.

### C. Federal Award Findings and Questioned Costs

None.

# **Fort Sam Houston Independent School District**

## **Summary Schedule of Prior Audit Findings**

Year Ended August 31, 2015

There were no prior audit findings reported.

# Fort Sam Houston Independent School District

## Exhibit K-1

### Schedule of Expenditures of Federal Awards

Year Ended August 31, 2015

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>United States Department of Education:</u>			
Direct Program:			
Impact Aid – P.L. 103-382	84.041	53-TX-0401	\$ 10,256,854
Impact Aid Section 8008 Construction Grant*	84.040		<u>2,861,394</u>
Total Direct Program			<u>13,118,248</u>
Passed Through State Department of Education:			
SSA IDEA-B – Formula	84.027A	156600010159146000	630,253
SSA IDEA-B – Preschool	84.173A	156610010159146000	48,721
SSA IDEA-B – Discretionary	84.027A	156600010159146000	<u>196,381</u>
Total Passed Through State Department of Education			<u>875,355</u>
Total United States Department of Education			<u>13,993,603</u>
<u>United States Department of Defense:</u>			
Direct Programs:			
ROTC	12.000		46,117
Invitational Grants for Military-Connected Schools	12.557	HE-1254-12-1-0021-P00001	95,507
Department of Defense Supplemental	12.558		265,139
DoDEA – Promoting Student Achievement	12.556	HE-1254-12-1-0033	<u>529,577</u>
Total Direct Programs			<u>936,340</u>
Total United States Department of Defense			<u>936,340</u>
<u>United States Department of Agriculture:</u>			
Passed Through State Department of Education:			
School Lunch Program – cash assistance	10.555	71301501	205,338
USDA Commodities – noncash assistance	10.555	71301501	53,805
School Breakfast Program	10.553	71401501	<u>48,488</u>
Total Passed Through State Department of Education			<u>307,631</u>
Total United States Department of Agriculture			<u>307,631</u>
Total Expenditures of Federal Awards			<u>\$ 15,237,574</u>

\* This program is excluded from Compliance with OMB compliance supplement – see Note 5 in the Notes to the Schedule of Expenditures of Federal Awards

*The accompanying notes are an integral part of this schedule.*

# Fort Sam Houston Independent School District

## Notes to the Schedule of Expenditures of Federal Awards

Year Ended August 31, 2015

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District Entity.

2. For all federal programs, the District uses the fund types specified in TEA's Resource Guide.

*General Fund* – is used to account for, among other things, resources related to the United States Department of Education's Impact Aid program. The funds are realized for payment in lieu of taxes and are to be used for current general operating expenditures.

*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. Generally, unused balances are returned to the grantor at the close of specified project periods.

*Capital Projects Funds* – are used to account for, among other things, resources related to the United States Department of Education's Impact Aid Section 8008 reimbursement and for construction grants from the United States Department of Defense. These funds are restricted for construction expenditures.

3. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Funds types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the General Fund, the Special Revenue Funds, or the Capital Projects Funds. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Funds 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 certain compensated absences, which are recognized when the obligations are expected to be liquidated with expendable, available financial resources.

Federal grant funds are generally 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.

4. Expenditures for the National School Lunch and Breakfast Program are not specifically attributable to the federal revenue source and are shown on the scheduled in the amount equal to federal revenue.

# Fort Sam Houston Independent School District

## Notes to the Schedule of Expenditures of Federal Awards – continued

Year Ended August 31, 2015

5. The Impact Aid Facilities Maintenance program (Section 8008 Construction Grant, CFDA #84.040A), received through the Department of Education agency, as authorized by the Elementary and Secondary Education Act of 1965, as amended, Title VIII, Section 8008, was received during the year to maintain school facilities and restore or improve school facilities where appropriate. According to the program information pulled from the Catalogue of Federal Domestic Assistance, this program is excluded from audit requirements and coverage under OMB Circular A-133; therefore, this program was excluded from the scope of OMB Circular A-133.

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