



**ALAMO HEIGHTS INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2017**



## INTRODUCTORY SECTION

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2017

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# CERTIFICATE OF BOARD

Alamo Heights Independent School District  
Name of School District

Bexar  
County

015-901  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2017, at a meeting of the board of trustees of such school district on the 14<sup>th</sup> day of December, 2017.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President





## FINANCIAL SECTION



## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Alamo Heights Independent School District  
7101 Broadway  
San Antonio, TX 78209

Members of the Board of Trustees:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of Alamo Heights Independent School District, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise Alamo Heights Independent School District's basic financial statements as listed in the table of contents.

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

Alamo Heights Independent School District's 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 did not audit the financial statements of the Alamo Heights School Foundation, which represents the only discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Alamo Heights School Foundation, is based solely on the report of the other auditors. 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. The financial statements of Alamo Heights School Foundation were not audited in accordance with *Government Auditing Standards*.

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.

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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of Alamo Heights Independent School District, as of August 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alamo Heights Independent School District's basic financial statements. The supplementary information (individual budgetary comparison statements and schedule of expenditures of federal awards as required by the audit requirements of Title I U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit*) and other information (schedule of delinquent taxes receivable and schedule of school first indicators) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

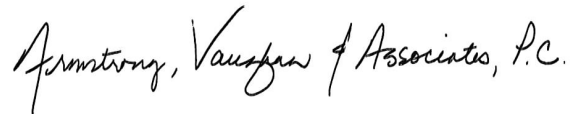
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017 on our consideration of Alamo Heights Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alamo Heights Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

November 13, 2017



## Alamo Heights Independent School District

### MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Alamo Heights Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2017. Please read it in conjunction with the independent auditors' report, and the District's Basic Financial Statements.

#### **FINANCIAL HIGHLIGHTS**

- The District's net position increased by \$4.2 million as a result of this year's operations.
- During the year, the District had expenses that were \$4.2 thousand less than the \$96.9 million generated in tax and other revenues for governmental programs.
- In the District's business-type activities, revenues decreased to \$124 thousand (9%) while expenses decreased to \$177 thousand (4%). These decreases were primarily related to decreases in program participation.
- Total cost of all of the District's programs increased \$8.4 million (10%). \$5.1 million of the increase was state recapture payments. Excluding that, expenses increased 4%.
- The General Fund ended the year with a fund balance of \$19.1 million, a 34% increase. The majority of the increase came from insurance proceeds for damage to roofing. Repairs are expected within the next year.
- The expenditures for the 2016-2017 school year were \$24 thousand less than budgeted in the General Fund.
- The District issued a refunding bond in 2016 with a present value savings of \$7.0 million. The District also issued bonds in 2017 for \$15 million to start the voter approved building renovations.

#### **USING THIS ANNUAL REPORT**

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

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

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

## **Reporting the District as a Whole**

### *The Statement of Net Position and the Statement of Activities*

The analysis of the District's overall financial condition and operations can be found in the government-wide Statements of Net Position and Activities. Their primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies. These statements also include the financials of the Alamo Heights School Foundation, a legally separate entity that exists solely to benefit the District and its constituents.

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

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

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- **Governmental activities**—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- **Business-type activities**—The District charges a fee to “customers” to help it cover all or most of the cost of services it provides.

In addition, these statements present financial information for the District's component unit (the Alamo Heights School Foundation) in a separate column. The Foundation is a legally separate entity that exists to raise money in the interest of the District.

## **Reporting the District's Most Significant Funds**

### *Fund Financial Statements*

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds – governmental and proprietary – use different accounting approaches:

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

- Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

### **The District as Trustee**

#### *Reporting the District's Fiduciary Responsibilities*

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position of the District's governmental activities increased \$4.2 million. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$1.0 million at August 31, 2017.

A summarized statement of net position follows:

	August 31, 2017			August 31, 2016
	Governmental Activities	Business-type Activities	Total	Total
Current and Other Assets	\$ 39,808,874	\$ 93,337	\$ 39,902,211	\$ 23,862,062
Capital Assets	76,553,893	-	76,553,893	79,371,053
<i>Total Assets</i>	<u>116,362,767</u>	<u>93,337</u>	<u>116,456,104</u>	<u>103,233,115</u>
<i>Deferred Outflows</i>	<u>6,178,859</u>	<u>-</u>	<u>6,178,859</u>	<u>5,451,713</u>
Current Liabilities	3,500,229	551	3,500,780	4,503,977
Long-Term Liabilities	117,211,269	-	117,211,269	107,678,509
<i>Total Liabilities</i>	<u>120,711,498</u>	<u>551</u>	<u>120,712,049</u>	<u>112,182,486</u>
<i>Deferred Inflows</i>	<u>2,031,229</u>	<u>-</u>	<u>2,031,229</u>	<u>787,470</u>
Net Investment in Capital Assets	(5,451,162)	-	(5,451,162)	(7,474,638)
Restricted	4,203,719	-	4,203,719	3,344,350
Unrestricted	1,046,342	92,786	1,139,128	(154,840)
<i>Total Net Position</i>	<u>\$ (201,101)</u>	<u>\$ 92,786</u>	<u>\$ (108,315)</u>	<u>\$ (4,285,128)</u>

The District's total revenues increased substantially from increases in property tax rates and insurance proceeds.

The cost of all governmental activities this year was \$92.7 million compared to \$84.5 million in the prior year. State recapture represents \$5.1 million of the increase in expenses. The amount that our taxpayers ultimately financed for these activities through District taxes was \$77.1 million while some of the costs were paid by those who directly benefited from the programs (\$3.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$9.7 million).

A summarized statement of activities follows:

	2017			2016
	Governmental Activities	Business-type Activities	Total	Total
<i>Program Revenues:</i>				
Charges for Services	\$ 3,439,485	\$ 124,339	\$ 3,563,824	\$ 3,115,935
Operating Grants & Contributions	4,673,725	-	4,673,725	4,017,082
Capital Grants & Contributions	-	-	-	-
<i>General Revenues:</i>				
Property Taxes	77,124,336	-	77,124,336	70,858,157
General Grants	4,989,543	-	4,989,543	4,728,941
Investment Earnings	410,615	-	410,615	169,632
Miscellaneous	6,297,962	-	6,297,962	2,457,383
<i>Total Revenues</i>	<u>96,935,666</u>	<u>124,339</u>	<u>97,060,005</u>	<u>85,347,130</u>
<i>Expenses</i>				
Instruction	31,390,971	-	31,390,971	30,949,180
Instructional Resources and Media	659,642	-	659,642	579,643
Curriculum and Staff Development	685,304	-	685,304	615,280
Instructional Leadership	1,034,825	-	1,034,825	995,364
School Leadership	2,710,989	-	2,710,989	2,564,007
Guidance, Counseling, & Evaluation	1,451,691	-	1,451,691	1,445,673
Social Work Services	232,735	-	232,735	244,172
Health Services	488,196	-	488,196	461,414
Student transportation	1,221,243	-	1,221,243	1,052,102
Food Services	1,585,965	-	1,585,965	1,474,647
Cocurricular/Extracurricular Activities	3,565,371	-	3,565,371	3,138,256
General Administration	2,032,063	-	2,032,063	1,929,290
Plant Maintenance and Operations	4,885,315	-	4,885,315	4,559,462
Security and Monitoring	-	-	-	4,710
Data Processing Services	983,891	-	983,891	1,060,338
Community Services	31,171	-	31,171	26,797
Interest on Long-Term Debt	2,338,862	-	2,338,862	3,175,955
Bond Issuance Costs and Fees	436,413	-	436,413	4,031
Facilities Acquisition and Construction	3,064,611	-	3,064,611	1,175,107
Contracted Instructional Services	33,888,357	-	33,888,357	28,801,835
Payments to Juvenile Justice Programs	18,340	-	18,340	8,559
Enterprising Activities	-	177,237	177,237	184,420
<i>Total Expenses</i>	<u>92,705,955</u>	<u>177,237</u>	<u>92,883,192</u>	<u>84,450,242</u>
Transfers	(72,076)	72,076	-	-
<i>Increase (Decrease) in Net Position</i>	<u>\$ 4,157,635</u>	<u>\$ 19,178</u>	<u>\$ 4,176,813</u>	<u>\$ 896,888</u>

## THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$35.1 million, which was an increase of \$17.1 million. New bonds and insurance proceeds contributed to the increase.

Over the course of the year, the Board of Trustees revised the District's budget. The General Fund expenditures were \$24 thousand less than the final budgeted appropriations and the fund balance increased \$344 thousand more than anticipated.



## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2017, the District had \$76.6 million (net) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. No significant additions were made this year, but initial costs for voter approved renovations have begun.

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 2,900,273	\$ -	\$ -	\$ 2,900,273
Construction in Progress	275,412	616,032	-	891,444
Buildings and Improvements	137,586,073	16,178	-	137,602,251
Equipment	5,293,883	6,600	-	5,300,483
Vehicles	2,115,088	36,437	-	2,151,525
Less: Accumulated Depreciation	(68,799,676)	(3,492,407)	-	(72,292,083)
Net Capital Assets	<u>\$ 79,371,053</u>	<u>\$ (2,817,160)</u>	<u>\$ -</u>	<u>\$ 76,553,893</u>

Land and construction in progress are not depreciated.

### Debt

At year-end, the District had \$106.6 million in bonds outstanding versus \$97.0 million from the prior year. More detail information about the district's debt is presented in the notes to the financial statements.

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Unlimited Tax School					
Building Bonds	\$ 37,030,000	\$ 15,000,000	\$ (26,860,000)	\$ 25,170,000	\$ 1,170,000
Refunding Bonds	6,675,000	26,280,000	(3,195,000)	29,760,000	3,280,000
Building/Refunding Bonds	48,760,000	-	(1,890,000)	46,870,000	1,940,000
Unamortized Premiums	4,574,994	2,141,009	(1,892,762)	4,823,241	504,617
<i>Total Governmental Activities</i>	<u>\$ 97,039,994</u>	<u>\$ 43,421,009</u>	<u>\$ (33,837,762)</u>	<u>\$ 106,623,241</u>	<u>\$ 6,894,617</u>

## ECONOMIC & AREA FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's 2017-2018 budget projects general fund expenditures will increase \$3.2 million to \$80.2 million. All of the increase is expected to be from state recapture to fund other districts. The overall tax rate for the district increased from 1.195 to 1.20. All of the increase is for debt service. The District does not expect any significant changes to operations for the upcoming fiscal year, however more of the voter approved bonds will be issued to continue renovations.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Alamo Heights Independent School District, 7101 Broadway, San Antonio, Texas 78209.



## BASIC FINANCIAL STATEMENTS



ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2017

Data Control Codes		1	2	3	4
		Primary Government			Component Unit
		Governmental Activities	Business-type Activities	Total	AH School Foundation
	<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 30,408,387	\$ 93,337	\$ 30,501,724	\$ 92,031
1120	Current Investments	6,222,711	-	6,222,711	7,210,160
1225	Property Taxes Receivable (Net)	1,485,474	-	1,485,474	-
1240	Due from Other Governments	1,196,725	-	1,196,725	-
1290	Other Receivables (Net)	37,477	-	37,477	1,410
1300	Inventory	130,947	-	130,947	-
1410	Prepaid Expenses	327,153	-	327,153	11,664
	<i>Capital Assets:</i>				
1510	Land	2,900,273	-	2,900,273	-
1520	Buildings and Improvements, Net	71,432,214	-	71,432,214	-
1531	Vehicles, Net	602,738	-	602,738	-
1539	Furniture and Equipment, Net	727,224	-	727,224	-
1580	Construction in Progress	891,444	-	891,444	-
1000	<i>Total Assets</i>	<u>116,362,767</u>	<u>93,337</u>	<u>116,456,104</u>	<u>7,315,265</u>
	<b>DEFERRED OUTFLOWS:</b>				
1700	Deferred Loss on Debt Refunding	1,319,664	-	1,319,664	-
1705	Deferred Pension Related Outflows	4,859,195	-	4,859,195	-
	<i>Total Deferred Outflows</i>	<u>6,178,859</u>	<u>-</u>	<u>6,178,859</u>	<u>-</u>
	<b>LIABILITIES:</b>				
2110	Accounts Payable	882,351	551	882,902	146,595
2140	Interest Payable	269,087	-	269,087	-
2160	Accrued Wages	1,750,989	-	1,750,989	5,466
2180	Due to Other Governments	55,299	-	55,299	-
2300	Unearned Revenue	542,503	-	542,503	9,500
	<i>Noncurrent Liabilities:</i>				
2501	Due Within One Year	6,894,617	-	6,894,617	-
2502	Due in More Than One Year	99,728,624	-	99,728,624	-
2540	Net Pension Liability	10,588,028	-	10,588,028	-
2000	<i>Total Liabilities</i>	<u>120,711,498</u>	<u>551</u>	<u>120,712,049</u>	<u>161,561</u>
	<b>DEFERRED INFLOWS:</b>				
2605	Deferred Pension Related Inflows	2,031,229	-	2,031,229	-
	<i>Total Deferred Inflows</i>	<u>2,031,229</u>	<u>-</u>	<u>2,031,229</u>	<u>-</u>
	<b>NET POSITION:</b>				
3200	Net Investment in Capital Assets	(5,451,162)	-	(5,451,162)	-
	Restricted For:				
3800	State and Federal Programs	205,312	-	205,312	-
3800	Debt Service	2,226,883	-	2,226,883	-
3800	Permanently Restricted Donations	-	-	-	4,689,327
3800	Campus Activities and Donations	1,771,524	-	1,771,524	1,632,201
3900	Unrestricted	1,046,342	92,786	1,139,128	832,176
3000	<i>Total Net Position</i>	<u>\$ (201,101)</u>	<u>\$ 92,786</u>	<u>\$ (108,315)</u>	<u>\$ 7,153,704</u>

The accompanying notes are an integral part of this statement.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2017

		1	3	4
Data Control Codes	Functions/Programs	Expenses	Program Revenues	
			Charges for Services	Operating Grants and Contributions
	<b>PRIMARY GOVERNMENT:</b>			
	<b>Governmental Activities:</b>			
11	Instruction	\$ 31,390,971	\$ 736,977	\$ 1,306,166
12	Instructional Resources and Media Services	659,642	-	3,777
13	Curriculum and Staff Development	685,304	-	58,479
21	Instructional Leadership	1,034,825	-	109
23	School Leadership	2,710,989	-	-
31	Guidance, Counseling, & Evaluation Services	1,451,691	-	19,110
32	Social Work Services	232,735	-	848
33	Health Services	488,196	-	876,784
34	Student Transportation	1,221,243	40,200	16,308
35	Food Services	1,585,965	761,050	1,383,641
36	Cocurricular/Extracurricular Activities	3,565,371	1,901,258	900,239
41	General Administration	2,032,063	-	-
51	Plant Maintenance and Operations	4,885,315	-	-
53	Data Processing Services	983,891	-	2,497
61	Community Services	31,171	-	14,848
72	Interest on Long-Term Debt	2,338,862	-	90,919
73	Bond Issuance Costs and Fees	436,413	-	-
81	Facilities Acquisition and Construction	3,064,611	-	-
91	Contracted Instructional Services	33,888,357	-	-
95	Payments to Juvenile Justice Programs	18,340	-	-
TG	Total Governmental Activities	<u>92,705,955</u>	<u>3,439,485</u>	<u>4,673,725</u>
	<b>Business-Type Activities:</b>			
01	Excel After School Program	60,075	46,415	-
02	Aquatic Center	12,145	32,430	-
03	Tennis Center	105,017	45,494	-
TB	Total Business-type Activities	<u>177,237</u>	<u>124,339</u>	<u>-</u>
TP	Total Primary Government	<u>\$ 92,883,192</u>	<u>\$ 3,563,824</u>	<u>\$ 4,673,725</u>
	<b>COMPONENT UNIT:</b>			
1C	Alamo Heights School Foundation	<u>\$ 1,248,380</u>	<u>\$ 63,923</u>	<u>\$ 931,933</u>
	<b>General Revenues:</b>			
MT	Property Taxes, Levied for General Purposes			
DT	Property Taxes, Levied for Debt Service			
IE	Investment Earnings (Loss)			
GC	Unrestricted Grants and Contributions			
MI	Miscellaneous			
FR	Transfers			
TR	Total General Revenues			
CN	Change in Net Position			
NB	Net Position - Beginning			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

**EXHIBIT B-1**

5	6	7	8	9
Program	Net (Expense) Revenue and Changes in Net Position			
Revenues				
Capital				
Grants and	Governmental	Business-Type	Total	Component
Contributions	Activities	Activities		Unit
\$ -	\$ (29,347,828)		\$ (29,347,828)	
-	(655,865)		(655,865)	
-	(626,825)		(626,825)	
-	(1,034,716)		(1,034,716)	
-	(2,710,989)		(2,710,989)	
-	(1,432,581)		(1,432,581)	
-	(231,887)		(231,887)	
-	388,588		388,588	
-	(1,164,735)		(1,164,735)	
-	558,726		558,726	
-	(763,874)		(763,874)	
-	(2,032,063)		(2,032,063)	
-	(4,885,315)		(4,885,315)	
-	(981,394)		(981,394)	
-	(16,323)		(16,323)	
-	(2,247,943)		(2,247,943)	
-	(436,413)		(436,413)	
-	(3,064,611)		(3,064,611)	
-	(33,888,357)		(33,888,357)	
-	(18,340)		(18,340)	
-	(84,592,745)		(84,592,745)	
-		\$ (13,660)	(13,660)	
-		20,285	20,285	
-		(59,523)	(59,523)	
-		(52,898)	(52,898)	
\$ -			(84,645,643)	
\$ -				\$ (252,524)
	68,411,807	-	68,411,807	-
	8,712,529	-	8,712,529	-
	410,615	-	410,615	874,060
	4,989,543	-	4,989,543	-
	6,297,962	-	6,297,962	-
	(72,076)	72,076	-	-
	88,750,380	72,076	88,822,456	874,060
	4,157,635	19,178	4,176,813	621,536
	(4,358,736)	73,608	(4,285,128)	6,532,168
\$ (201,101)	\$ 92,786	\$ (108,315)	\$ 7,153,704	

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
AUGUST 31, 2017

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund
	<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$ 14,398,403	\$ 2,327,452	\$ 12,090,352
1120	Current Investments	6,222,711	-	-
1225	Taxes Receivable, Net	1,316,955	168,519	-
1240	Due from Other Governments	678,412	-	-
1290	Other Receivables	37,477	-	-
1300	Inventory	98,845	-	-
1410	Prepaid Items	271,975	-	-
1000	<i>Total Assets</i>	<u>\$ 23,024,778</u>	<u>\$ 2,495,971</u>	<u>\$ 12,090,352</u>
	<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>			
	<i>Liabilities:</i>			
2110	Accounts Payable	\$ 221,774	\$ -	\$ 439,640
2160	Accrued Wages Payable	1,750,989	-	-
2180	Due to Other Governments	55,299	-	-
2300	Unearned Revenue	542,503	-	-
2000	<i>Total Liabilities</i>	<u>2,570,565</u>	<u>-</u>	<u>439,640</u>
	<i>Deferred Inflows of Resources:</i>			
2600	Unavailable Property Tax Revenue	<u>1,316,955</u>	<u>168,518</u>	<u>-</u>
	<i>Fund Balance:</i>			
	<i>Nonspendable:</i>			
3410	Inventory	98,845	-	-
3430	Prepaid Items	271,975	-	-
	<i>Restricted Fund Balances:</i>			
3450	Federal and State Grants	-	-	-
3470	Capital Acquisitions	-	-	11,650,712
3480	Retirement of Long-Term Debt	-	2,327,453	-
3490	Other Restrictions of Fund Balance	-	-	-
3600	<i>Unassigned</i>	<u>18,766,438</u>	<u>-</u>	<u>-</u>
3000	<i>Total Fund Balances</i>	<u>19,137,258</u>	<u>2,327,453</u>	<u>11,650,712</u>
4000	Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 23,024,778</u>	<u>\$ 2,495,971</u>	<u>\$ 12,090,352</u>

The accompanying notes are an integral part of this statement.



EXHIBIT C-1

Other Nonmajor Governmental Funds	98 Total Governmental Funds
\$ 1,592,181	\$ 30,408,388
-	6,222,711
-	1,485,474
518,313	1,196,725
-	37,477
32,102	130,947
55,178	327,153
<u>\$ 2,197,774</u>	<u>\$ 39,808,875</u>

\$ 220,937	\$ 882,351
-	1,750,989
-	55,299
-	542,503
<u>220,937</u>	<u>3,231,142</u>

<u>-</u>	<u>1,485,473</u>
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32,102	130,947
55,178	327,153
124,329	124,329
-	11,650,712
-	2,327,453
1,765,228	1,765,228
-	18,766,438
<u>1,976,837</u>	<u>35,092,260</u>

<u>\$ 2,197,774</u>	<u>\$ 39,808,875</u>
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ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 AUGUST 31, 2017

<b>TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 35,092,260</b>
Amounts reported for governmental activities in the Statement of Net Position ("SNA") are different because:	
Capital Assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	76,553,893
Net pension liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.	
Net Pension Liability	(10,588,028)
Pension Related Deferred Inflows	(2,031,229)
Pension Related Deferred Outflows	<u>4,859,195</u>
	(7,760,062)
Deferred inflows of resources are not available to pay for current-period expenditures and therefore, are deferred in the funds.	1,485,472
Long-term liabilities, including bonds payable and unamortized premiums, are not due and payable in the current period and therefore, not reported in the funds.	(106,623,241)
Losses on debt refundings do not consume current financial resources and are not reported in the funds.	1,319,664
Accrued interest payable on long-term bonds is not due and payable in the current period, and therefore, not reported in the funds.	<u>(269,087)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ (201,101)</u></u></b>

The accompanying notes are an integral part of this statement.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund
	<b>REVENUES:</b>			
5700	Local and Intermediate Sources	\$ 70,932,946	\$ 8,751,066	\$ 20,706
5800	State Program Revenues	4,156,730	90,919	-
5900	Federal Program Revenues	949,273	-	-
5020	<i>Total Revenues</i>	<u>76,038,949</u>	<u>8,841,985</u>	<u>20,706</u>
	<b>EXPENDITURES:</b>			
0011	Instruction	26,422,642	-	-
0012	Instructional Resources and Media Services	489,974	-	-
0013	Curriculum and Staff Development	566,060	-	-
0021	Instructional Leadership	1,015,263	-	-
0023	School Leadership	2,344,584	-	-
0031	Guidance, Counseling, & Evaluation Services	1,368,978	-	-
0032	Social Work Services	226,515	-	-
0033	Health Services	449,671	-	-
0034	Student Transportation	1,126,435	-	-
0035	Food Service	-	-	-
0036	Cocurricular/Extracurricular Activities	1,346,679	-	-
0041	General Administration	2,004,422	-	-
0051	Plant Maintenance and Operations	4,786,949	-	-
0053	Data Processing Services	876,441	-	-
0061	Community Services	3,460	-	-
0071	Principal on Long-Term Debt	-	5,665,000	-
0072	Interest on Long-Term Debt	-	2,603,505	-
0073	Bond Issuance Costs and Fees	-	240,332	196,081
0081	Facilities Acquisition and Construction	-	-	3,708,169
0091	Contracted Instructional Services			
	Between Public Schools	33,888,357	-	-
0095	Payments to Juvenile Justice Programs	18,340	-	-
6030	<i>Total Expenditures</i>	<u>76,934,770</u>	<u>8,508,837</u>	<u>3,904,250</u>
1100	<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(895,821)</u>	<u>333,148</u>	<u>(3,883,544)</u>
	<b>Other Financing Sources and (Uses)</b>			
5745	Insurance Recovery	5,867,034	-	-
7911	Issuance of Bonds	-	26,280,000	15,000,000
7916	Premium on Bond Issuance	-	1,944,928	196,081
8949	Payment to Refunding Escrow Agent	-	(27,987,480)	-
8911	Transfers Out	(72,076)	-	-
7080	Total Other Financing Sources and (Uses)	<u>5,794,958</u>	<u>237,448</u>	<u>15,196,081</u>
1200	Net Change in Fund Balances	<u>4,899,137</u>	<u>570,596</u>	<u>11,312,537</u>
0100	Fund Balances - Beginning	<u>14,238,121</u>	<u>1,756,857</u>	<u>338,175</u>
3000	Fund Balances - Ending	<u>\$ 19,137,258</u>	<u>\$ 2,327,453</u>	<u>\$ 11,650,712</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

Other Nonmajor Governmental Funds	98 Total Governmental Funds
\$ 3,161,966	\$ 82,866,684
335,611	4,583,260
2,354,763	3,304,036
<u>5,852,340</u>	<u>90,753,980</u>
2,437,782	28,860,424
7,050	497,024
109,143	675,203
203	1,015,466
-	2,344,584
35,667	1,404,645
1,582	228,097
-	449,671
30,436	1,156,871
1,368,331	1,368,331
1,544,884	2,891,563
-	2,004,422
-	4,786,949
4,660	881,101
27,711	31,171
-	5,665,000
-	2,603,505
-	436,413
-	3,708,169
-	33,888,357
-	18,340
<u>5,567,449</u>	<u>94,915,306</u>
<u>284,891</u>	<u>(4,161,326)</u>
-	5,867,034
-	41,280,000
-	2,141,009
-	(27,987,480)
-	(72,076)
<u>-</u>	<u>21,228,487</u>
284,891	17,067,161
<u>1,691,946</u>	<u>18,025,099</u>
<u>\$ 1,976,837</u>	<u>\$ 35,092,260</u>



ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2017

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ 17,067,161

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay. (2,817,160)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. This is the net change in those revenues over the year. (53,660)

Governmental funds report required contributions to employee pensions as expenditures. However in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that actuarially determined pension expense exceeded contributions. (534,820)

The issuance of long-term debt (e.g. bonds & notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position.

Proceeds from Issuance of Bonds	(41,280,000)	
Premiums Received on Issuance of Bonds	(2,141,009)	
Payment to Refunding Agent to Defeas Debt	27,987,480	
Principal Payments	5,665,000	(9,768,529)

Some expenses reported in the Statement of Activities (including accreted and accrued interest expense) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Accrued Interest	10,665	
Amortization of Losses on Debt Refundings	(248,625)	
Amortization of Bond Premiums	502,603	264,643

**CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES** \$ 4,157,635

The accompanying notes are an integral part of this statement.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
ENTERPRISE FUNDS  
AUGUST 31, 2017

Data Control Codes		Nonmajor Enterprise Funds
	<b>ASSETS:</b>	
	<i>Current Assets:</i>	
1110	Cash and Cash Equivalents	\$ 93,337
1000	<i>Total Assets</i>	<u>93,337</u>
	<b>LIABILITIES:</b>	
	<i>Current Liabilities</i>	
2110	Accounts Payable	<u>551</u>
2000	<i>Total Liabilities</i>	<u>551</u>
	<b>NET POSITION:</b>	
3900	Unrestricted	<u>92,786</u>
3000	<i>Total Net Position</i>	<u><u>\$ 92,786</u></u>

The accompanying notes are an integral part of this statement.



ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		Nonmajor Enterprise Funds
	<b>OPERATING REVENUES:</b>	
5700	Local and Intermediate Sources	\$ 124,340
5020	<i>Total Revenues</i>	<u>124,340</u>
	<b>OPERATING EXPENSES:</b>	
0011	Instruction	60,075
0036	Cocurricular/Extracurricular Activities	117,163
6030	<i>Total Expenses</i>	<u>177,238</u>
	Income (Loss) before Contributions and Transfers	(52,898)
7915	Transfers In	<u>72,076</u>
1300	Change in Net Position	19,178
0100	Total Net Position - Beginning	73,608
3300	Total Net Position - Ending	<u><u>\$ 92,786</u></u>

The accompanying notes are an integral part of this statement.



ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

	Nonmajor Enterprise Funds
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 124,340
Cash Payments to Employees for Services	(129,444)
Cash Payments to Other Suppliers for Goods and Services	(47,317)
Net Cash Provided (Used) by Operating Activities	<u>(52,421)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Transfers From (To) Governmental Funds	<u>72,076</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>72,076</u>
Net Increase (Decrease) in Cash and Cash Equivalents	19,655
Cash and Cash Equivalents at Beginning of Year	<u>73,682</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 93,337</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income (Loss)	\$ (52,898)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Change in Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	<u>477</u>
<i>Total Adjustments</i>	<u>477</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (52,421)</u></u>

The accompanying notes are an integral part of this statement.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
AUGUST 31, 2017

Data Control Codes		Private Purpose Trust Funds	Agency Funds
	<b><i>ASSETS:</i></b>		
1110	Cash and Cash Equivalents	\$ 130,596	\$ 87,368
1000	<i>Total Assets</i>	<u>130,596</u>	<u>87,368</u>
	<b><i>LIABILITIES:</i></b>		
	<i>Current Liabilities</i>		
2110	Accounts Payable	-	15,604
2190	Due to Student Groups	-	71,764
2000	<i>Total Liabilities</i>	<u>-</u>	<u>87,368</u>
	<b><i>NET POSITION</i></b>		
3000	<i>Total Net Position</i>	<u>\$ 130,596</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED AUGUST 31, 2017

	Private Purpose Trust Funds
<b>Additions:</b>	
Investment Income	\$ 507
Contributions	18,671
Total Additions	<u>19,178</u>
<b>Deductions:</b>	
Scholarship Awards	<u>7,184</u>
Total Deductions	<u>7,184</u>
<b>Change in Net Position</b>	11,994
Net Position - Beginning of Year	<u>118,602</u>
Net Position - End of Year	<u><u>\$ 130,596</u></u>

The accompanying notes are an integral part of this statement.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2017

A. Summary of Significant Accounting Policies

The basic financial statements of Alamo Heights 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 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 School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public 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 the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity."

The Alamo Heights School Foundation ("Foundation") is a 501(c)3 nonprofit organization whose purpose is to receive and administer gifts for the Alamo Heights Independent School District. The Foundation is legally separate from the District but solely benefits the District and its constituents. The Foundation is included in the District's financial statements as a discretely presented component unit. Separate financial statements are issued by the Foundation and can be obtained from Alamo Heights School Foundation, P.O Box 171393, San Antonio, TX 78217.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the 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 taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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. The District does not allocate indirect expenses in the statement of activities. 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 not classified as program revenues, including all taxes, are presented as general revenues.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

A. Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting (Continued)

a. Basis of Presentation (Continued)

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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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.

Debt Service Fund: Is used to account for all funds collected and disbursed in the retirement of governmental debt.

Capital Projects Fund: The District reports proceeds from bond issuances related to capital acquisition in this fund. The related capital acquisitions are also reported in this fund.

The District reports no major enterprise funds.

In addition, the District reports the following fund types:

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

A. Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting (Continued)

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements 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 property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund 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 does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. 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 general long-term 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 general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. Equivalents include checking accounts and local government investment pools.

b. Investments

The District reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.



ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

b. Investments (Continued)

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 maintains a consistent net asset value per share that approximates the fair value of the underlying securities. These investments are reported at net asset value.

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

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

d. Property Taxes

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. Taxes Receivable in the governmental funds are stated net of allowance for uncollectible tax receivables in the amount of \$54,873 and \$6,970 for the General and Debt Service Funds, respectively.

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. There are no significant receivables which are not scheduled for collection within one year of year end.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

f. 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 assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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	40
Vehicles	10
Equipment	3-25

g. Deferred inflows and outflows

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

h. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. 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. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line on the government-wide statement of net position.

i. Net position - Proprietary Funds and Government-wide Statement of Net position

Net position is classified as follows:

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

i. Net position - Proprietary Funds and Government-wide Statement of Net position (Cont.)

Net Investment in Capital Assets - Represents the balances of capital assets less the outstanding balances of debt related to the acquisition of the capital assets. This amount is separated from unrestricted net position so that the unrestricted classification represents net position more readily available to fund operations.

Unrestricted - Represents the residual net position that is not restricted or capital in nature.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily or permanently restricted net position are reclassified to unrestricted net position.

j. Pensions

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) and additions to/ deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, 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.

k. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

j. Fund Balances – Governmental Funds (Continued)

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund, conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

k. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

l. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

B. Deposits and Investments

1. Cash Deposits

The District's funds are deposited and invested under the terms of a depository contract which requires the District's agent bank to pledge securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The District's cash deposits at August 31, 2017 and during the year ended August 31, 2017, were entirely covered by FDIC insurance and pledged collateral. At year end, the District also had certificates of deposit at various institutions that were fully insured by FDIC.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

B. Deposits and Investments (Continued)

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment 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 certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2017 are shown below.

<u>Investment or Investment Type</u>	<u>Weighted Average Maturity (Days)</u>	<u>Reported Value</u>
Local Government Debt Securities	244	\$ 1,063,765
Federal Government Debt Securities	481	1,945,920
Certificates of Deposit	341	3,213,026
Total Investments		<u>\$ 6,222,711</u>

The Foundation's investments at August 31, 2017 are shown below.

<u>Investment or Investment Type</u>	<u>Fair Value</u>
Cash Equivalents	\$ 125,474
Equity Securities	7,084,686
Total Investments	<u>\$ 7,210,160</u>

The certificates of deposit are reported at amortized cost. The debt securities are reported at fair value based on Level 1 inputs. The Foundation invests in debt and equity securities, which are reported at fair value based on Level 1 inputs.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

B. Deposits and Investments (Continued)

3. Analysis of Specific Deposit and Investment Risks:

The District has evaluated the following specific investment risks at year end:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

B. Deposits and Investments (Continued)

3. Analysis of Specific Deposit and Investment Risks (Continued):

Investment Accounting Policy

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 Public Funds Investment Act (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 or AAA-m 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 share value. The District reports its investments in Pools as cash and cash equivalents. As of August 31, 2017, the District was invested in the following Pools:

<u>Local Government Investment Pool</u>	<u>Rating</u>	<u>Fair Value</u>
Texpool	AAAm	\$ 141,476
Texas TERM - TexasDAILY	AAAm	69
Lone Star	AAAm	800,395
Texas Class	AAAm	31,547,043
Total Investment Pools		<u>\$ 32,488,983</u>

C. Interfund Balances and Activities

Transfers between funds during the year ending August 31, 2017 were the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Enterprise Funds	\$ 72,076	Supplement other funding
	Total	<u>\$ 72,076</u>	

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

D. Capital Assets

Capital asset activity for the year ended August 31, 2017, was as follows:

	Beginning Balances	Increases	Transfers/ Decreases	Ending Balances
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 2,900,273	\$ -	\$ -	\$ 2,900,273
Construction in Progress	275,412	616,032	-	891,444
<i>Total Capital Assets Not Being Depreciated</i>	<u>3,175,685</u>	<u>616,032</u>	<u>-</u>	<u>3,791,717</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings and Improvements	137,586,073	16,178	-	137,602,251
Equipment	5,293,883	6,600	-	5,300,483
Vehicles	2,115,088	36,437	-	2,151,525
<i>Total Capital Assets Being Depreciated</i>	<u>144,995,044</u>	<u>59,215</u>	<u>-</u>	<u>145,054,259</u>
<i>Less Accumulated Depreciation For:</i>				
Buildings and Improvements	(62,902,852)	(3,267,185)	-	(66,170,037)
Equipment	(4,378,458)	(194,801)	-	(4,573,259)
Vehicles	(1,518,366)	(30,421)	-	(1,548,787)
<i>Total Accumulated Depreciation</i>	<u>(68,799,676)</u>	<u>(3,492,407)</u>	<u>-</u>	<u>(72,292,083)</u>
Total Capital Assets Being Depreciated, Net	<u>76,195,368</u>	<u>(3,433,192)</u>	<u>-</u>	<u>72,762,176</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 79,371,053</u>	<u>\$ (2,817,160)</u>	<u>\$ -</u>	<u>\$ 76,553,893</u>

Land and construction in progress are not depreciated. Depreciation was charged to functions as follows:

11 Instruction	\$ 1,881,744
12 Instructional Resources and Media Services	153,437
23 School Leadership	306,873
31 Guidance, Counseling, & Evaluation Services	15,779
33 Health Services	30,479
34 Student Transportation	78,116
35 Food Services	217,634
36 Cocurricular/Extracurricular Activities	646,692
51 Plant Maintenance and Operations	64,262
53 Data Processing Services	96,139
81 Facilities Acquisition	1,252
	<u>\$ 3,492,407</u>



ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

E. Long-Term Obligations

1. Long-Term Obligation Activity

The District issued two new bond series during the fiscal year:

Series 2016 – The District issued \$26.28 million to advance refund a portion of the 2010 series. The refunding resulted in gross savings of \$10.4 million with a present value of \$7.0 million.

Series 2017 – The District issued \$15 million out of the \$135 million authorized by voters in May 2017 for school building renovations and equipment.

Long-term obligations include building and refunding bonds. Changes in long-term obligations for the year ended August 31, 2017, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Unlimited Tax School					
Building Bonds	\$ 37,030,000	\$ 15,000,000	\$ (26,860,000)	\$ 25,170,000	\$ 1,170,000
Refunding Bonds	6,675,000	26,280,000	(3,195,000)	29,760,000	3,280,000
Building/Refunding Bonds	48,760,000	-	(1,890,000)	46,870,000	1,940,000
Unamortized Premiums	4,574,994	2,141,009	(1,892,762)	4,823,241	504,617
<i>Total Governmental Activities</i>	<u>\$ 97,039,994</u>	<u>\$ 43,421,009</u>	<u>\$ (33,837,762)</u>	<u>\$ 106,623,241</u>	<u>\$ 6,894,617</u>

Unlimited Tax School Building/Refunding Bonds have interest rates of 2.0-5.0%.

Unlimited Tax School Building Bonds have interest rates of 2.5-5.0%.

Unlimited Tax School Refunding Bonds have interest rates of 0.97-5.0%.

2. Debt Service requirements on bonded debt at August 31, 2017, are as follows:

Year Ending August 31,	Principal	Interest	Total
2018	\$ 6,390,000	\$ 3,140,859	\$ 9,530,859
2019	6,400,000	3,036,385	9,436,385
2020	6,890,000	2,764,910	9,654,910
2021	7,105,000	2,494,439	9,599,439
2022	7,430,000	2,155,833	9,585,833
2023-2027	39,050,000	6,776,030	45,826,030
2028-2032	20,770,000	2,092,916	22,862,916
2033-2037	4,170,000	766,931	4,936,931
2038-2042	3,595,000	298,400	3,893,400
Totals	<u>\$ 101,800,000</u>	<u>\$ 23,526,703</u>	<u>\$ 125,326,703</u>

In accordance with Securities and Exchange Act of 1934 Rule 15c2-12, the District has entered into a continuing disclosure agreement with the Municipal Securities Rulemaking Board. The District has complied with these continuing disclosures.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

E. Long-Term Obligations (Continued)

3. Other Long-term Debt Disclosures

In May 2017, the voters approved \$135 million in new bonds. \$15 million was issued in the 2017 fiscal year, leaving \$120 million authorized but not issued.

Advance refundings of debt result in difference between the carrying amount of refunded obligations and the payment to defease the debt. These differences are recorded on the Statement of Net Position and amortized over the life of the shorter of the new or refunded obligations. As of August 31, 2017, the District reported \$1,319,664 in deferred refunding losses that will be amortized in future periods. In addition, the defeased debts are still outstanding until their call date but are removed from these financial statements. As of August 31, 2017, the District had \$26.28 million in bonds outstanding that have been removed from these financial statements.

G. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2016.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf); by writing to TRS at 1000 Red River Street, Austin, TX, 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 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

G. Pension Plan (Continued)

3. Benefits Provided (Continued)

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 Page 1 of 7 benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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 the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	Contribution Rates	
	Plan fiscal year	
	2016	2017
Member (Employee)	7.2%	7.7%
Non-employer Contributing Entity (State)	6.8%	6.8%
Employer	6.8%	6.8%

	Contributions Required and Made	
Member (Employee)	\$	2,451,359
Non-employer contributing agency (State)		1,568,560
District		975,137
	\$	4,995,056

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

G. Pension Plan (Continued)

4. Contributions (Continued)

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. 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 General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system 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 employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

G. Pension Plan (Continued)

5. Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

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

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 employers and the nonemployer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of Page 3 of 7 current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

G. Pension Plan (Continued)

6. Discount Rate (Continued)

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Asset Class	Target Allocation	Real Geometric Return Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Estimate			2.2%
Alpha			1.0%
Total	100%		8.7%

\*The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

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 2016 Net Pension Liability.

	1% Decrease 7.0%	Current 8.0%	1% Increase 9.0%
District's proportionate share of the net position liability	\$ 16,386,701	\$ 10,588,028	\$ 5,669,581

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

G. Pension Plan (Continued)

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

At August 31, 2017, the District reported a liability of \$10,588,028 for its proportionate share of the TRS's 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 net position liability	\$ 10,588,028
State's proportionate share of the net pension liability associated with the District	<u>18,618,568</u>
Total	<u><u>\$ 29,206,596</u></u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0280192% which was a decrease of 0.0019090% from its proportion measured as of August 31, 2015.

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2017, the District recognized pension expense of \$1,932,163 and revenue of \$1,932,163 for support provided by the State. At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 166,018	\$ 316,152
Changes of assumptions	322,704	293,486
Net difference between projected and actual earnings on pension plan investments	2,040,327	1,143,755
Changes in proportion and differences between District contributions and proportionate share of contributions	1,355,009	277,836
District contributions subsequent to the measurement date	<u>975,137</u>	<u>-</u>
Total	<u><u>\$ 4,859,195</u></u>	<u><u>\$ 2,031,229</u></u>

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

G. Pension Plan (Continued)

8. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The \$975,137 in deferred outflows of resources related to pensions from District contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2018. 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 ending August 31,</u>	<u>Pension Expense</u>
2018	\$ 311,301
2019	311,301
2020	883,178
2021	267,367
2022	104,775
Thereafter	<u>(25,093)</u>
	<u><u>\$ 1,852,829</u></u>

H. Retiree Health Care Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The 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 System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.



ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

H. Retiree Health Care Plan (Continued)

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. The State of Texas and active public school employee contribution rates were 1.0% for 2017, 2016, and 2015. School districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016, and 2015. 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. For the years ended August 31, 2017, 2016 and 2015, the State's contributions to TRS-Care were \$318,358, \$306,434, and \$301,652, respectively, the active member contributions were \$206,950, \$199,181, and \$196,072, respectively, and the District's contributions were \$175,112, \$168,540, and \$165,907, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2017, 2016 and 2015, the subsidy payments received by TRS-Care on behalf of the District were \$100,307, \$92,086, and \$92,658 respectively.

I. Employee Health Care Coverage

During the year ended August 31, 2017, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$316-366 per month per employee to the Plan depending on plan options and dependents covered. Employees, at their option, authorized payroll withholdings to pay the remaining premiums for themselves and dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement. The contract between the District and the third party administrator is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions. Latest financial statements for the Plan are available for the year ended August 31, 2016, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
AUGUST 31, 2017

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. The District purchased commercial insurance to insure property and liability. In previous years, District participated in the Texas Association of Public Schools Property and Liability Fund (TAPS). TAPS was a self-insurance pool established under the Texas Interlocal Cooperation Act. Membership is limited to public school districts, community colleges and education service centers. The District pays estimated annual contributions which may be adjusted for any shortfall in the pool. TAPS has since filed for bankruptcy. The District may be liable for additional contributions or unpaid claims. Management does not believe this will have a material impact on the District's financial statements.

The District met its statutory workers' compensation obligations through a modified self-funded program. The District (through a third-party administrator) pays all workers' compensation claims up to a maximum stop-loss amount. The stop loss amount for the year ending August 31, 2017 was \$121,345. Actual paid claims for the fiscal years ending August 31, 2017, 2016, and 2015 were \$171,012, \$91,582, and \$43,930, respectively.

K. 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 that 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.

2. Litigation

The District is subject to various claims through its normal course of business and employment practices. Management and legal counsel are not aware of any pending or threatened litigation against the District that would have a material financial impact on the District.

3. Insurance Proceeds

In the spring of 2016, the District incurred hail damage to the roofs of most buildings. Additional insurance proceeds were received in the 2017 fiscal year and more may be negotiated in 2018. The District is negotiating with contractors to repair the roofs in fiscal year 2018.

4. Commitments

The District has entered into engineering contracts for the design of the 2017 bond projects for an estimated total amount of \$7.2 million. As of August 31, 2017, \$404 thousand has been incurred, leaving an estimated amount remaining of \$6.8 million.

## REQUIRED SUPPLEMENTARY INFORMATION

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

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	<b>REVENUES</b>				
5700	Local and Intermediate Sources	\$ 70,391,314	\$ 70,731,314	\$ 70,932,946	\$ 201,632
5800	State Program Revenues	4,253,148	4,253,148	4,156,730	(96,418)
5900	Federal Program Revenues	735,000	735,000	949,273	214,273
5020	<b>Total Revenues</b>	<u>75,379,462</u>	<u>75,719,462</u>	<u>76,038,949</u>	<u>319,487</u>
	<b>EXPENDITURES</b>				
0011	Instruction	26,485,082	26,421,816	26,422,642	(826)
0012	Instructional Resources and Media Services	410,583	490,583	489,974	609
0013	Curriculum and Staff Development	509,747	569,747	566,060	3,687
0021	Instructional Leadership	968,144	1,016,144	1,015,263	881
0023	School Leadership	2,156,726	2,344,726	2,344,584	142
0031	Guidance, Counseling and Evaluation Services	1,393,719	1,373,719	1,368,978	4,741
0032	Social Work Services	248,030	233,030	226,515	6,515
0033	Health Services	434,004	450,204	449,671	533
0034	Student (Pupil) Transportation	1,013,412	1,127,412	1,126,435	977
0036	Cocurricular/Extracurricular Activities	1,307,919	1,347,185	1,346,679	506
0041	General Administration	1,855,350	2,005,350	2,004,422	928
0051	Plant Maintenance and Operations	4,080,513	4,788,213	4,786,949	1,264
0053	Data Processing Services	821,854	876,854	876,441	413
0061	Community Services	11,500	4,500	3,460	1,040
0091	Contracted Instr. Services Between Schools	34,225,947	33,890,947	33,888,357	2,590
0095	Payments for Juvenile Justice Programs	15,000	18,500	18,340	160
6030	<b>Total Expenditures</b>	<u>75,937,530</u>	<u>76,958,930</u>	<u>76,934,770</u>	<u>24,160</u>
1100	Excesss (Deficiency) of Revenues Over (Under) Expenditures	<u>(558,068)</u>	<u>(1,239,468)</u>	<u>(895,821)</u>	<u>343,647</u>
	<b>OTHER FINANCING SOURCES (USES)</b>				
5745	Insurance Recovery	-	5,867,000	5,867,034	34
8911	Transfers Out	-	(73,000)	(72,076)	924
6030	<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>5,794,000</u>	<u>5,794,958</u>	<u>958</u>
1200	Net Change in Fund Balance	(558,068)	4,554,532	4,899,137	344,605
0100	<b>Fund Balance - Beginning</b>	<u>14,238,121</u>	<u>14,238,121</u>	<u>14,238,121</u>	<u>-</u>
3000	<b>Fund Balance - Ending</b>	<u>\$ 13,680,053</u>	<u>\$ 18,792,653</u>	<u>\$ 19,137,258</u>	<u>\$ 344,605</u>

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2017

BUDGETARY INFORMATION

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The District maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Trustees and as such is a good management control device.

Budgetary preparation and control is exercised at the function level. Actual expenditures may not legally exceed appropriations at the fund level.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 FOR THE PLAN YEAR ENDED AUGUST 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0280192%	0.0299282%	0.0227828%
District's proportionate share of the net pension liability	\$ 10,588,028	\$ 10,579,220	\$ 6,085,601
State's proportionate share of the net pension liability associated with the District	<u>18,618,568</u>	<u>18,086,783</u>	<u>15,370,813</u>
Total	<u>\$ 29,206,596</u>	<u>\$ 28,666,003</u>	<u>\$ 21,456,414</u>
District's covered-employee payroll (for the measurement year)	\$ 30,643,407	\$ 30,165,207	\$ 29,682,297
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	34.55%	35.07%	20.50%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%

Note: Amounts presented for each fiscal period were determined as of the year ending August 31 of the previous calendar year. Information is being compiled prospectively until ten years is presented.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS – TEACHER RETIREMENT SYSTEM  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 975,137	\$ 890,240	\$ 886,187
Contributions in relation to the contractually required contribution	<u>975,137</u>	<u>890,240</u>	<u>886,187</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$31,835,826	\$30,643,407	\$30,165,207
Contributions as a percentage of covered-employee payroll	3.06%	2.91%	2.94%

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION ON PENSIONS  
AUGUST 31, 2017

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

Changes of assumptions – There were no changes in assumptions that affected measurement of the total pension liability during the measurement period.



## SUPPLEMENTARY INFORMATION

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.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		1	2	3	
		Budgeted Amounts			Variance with
		Original	Final	Actual	Final Budget
	REVENUES				
5700	Local and Intermediate Sources	\$ 719,896	\$ 719,896	\$ 761,049	\$ 41,153
5800	State Program Revenues	6,500	6,500	6,100	(400)
5900	Federal Program Revenues	581,433	581,433	644,388	62,955
5020	Total Revenues	1,307,829	1,307,829	1,411,537	103,708
	EXPENDITURES				
	Current:				
0035	Food Services	1,296,829	1,413,466	1,368,331	45,135
6030	Total Expenditures	1,296,829	1,413,466	1,368,331	45,135
1200	Net Change in Fund Balance	11,000	(105,637)	43,206	148,843
0100	Fund Balance - Beginning	139,760	139,760	139,760	-
3000	Fund Balance - Ending	\$ 150,760	\$ 34,123	\$ 182,966	\$ 148,843

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		1	2	3	Variance with
		Budgeted Amounts			Final Budget
		Original	Final	Actual	
	REVENUES				
5700	Local and Intermediate Sources	\$ 8,729,587	\$ 8,729,587	\$ 8,751,066	\$ 21,479
5800	State Program Revenues	90,548	90,548	90,919	371
5020	Total Revenues	8,820,135	8,820,135	8,841,985	21,850
	EXPENDITURES				
0071	Principal and Long-Term Debt	5,200,000	5,195,000	5,665,000	(470,000)
0072	Interest on Long-Term Debt	3,203,451	3,080,042	2,603,505	476,537
0073	Bond Issuance Costs and Fees	4,721	241,246	240,332	914
6030	Total Expenditures	8,408,172	8,516,288	8,508,837	7,451
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	411,963	303,847	333,148	29,301
	OTHER FINANCING SOURCES (OFS)				
7911	Issuance of Bonds	-	26,280,000	26,280,000	-
7916	Premium on Bond Issuance	-	1,944,928	1,944,928	-
8949	Payment to Refunding Escrow Agent	-	(27,987,480)	(27,987,480)	-
7080	Total OFS	-	237,448	237,448	-
1200	Net Change in Fund Balance	411,963	541,295	570,596	29,301
0100	Fund Balance - Beginning	1,756,857	1,756,857	1,756,857	-
3000	Fund Balance - Ending	\$ 2,168,820	\$ 2,298,152	\$ 2,327,453	\$ 29,301



## OTHER INFORMATION

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.

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2017

Year Ended August 31,	1	2	3
	Tax Rates		Assessed/Appraised
	Maintenance	Debt Service	Value for School Tax Purposes*
	\$ Various	\$ Various	\$ Various
2007 and Prior Years			
2008	1.0200	0.1366	4,767,216,449
2009	1.0300	0.1266	5,274,323,919
2010	1.0400	0.1220	5,400,162,673
2011	1.0400	0.1280	5,236,696,545
2012	1.0400	0.1580	5,223,583,114
2013	1.0600	0.1580	5,313,500,497
2014	1.0600	0.1580	5,550,207,567
2015	1.0600	0.1450	5,858,541,056
2016	1.0600	0.1350	6,389,322,301
2017 (School Year Under Audit)	1.0600	0.1350	6,826,849,870

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

\*Represents net taxable value before applicable freeze adjustments.

EXHIBIT J-1

10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
\$ 171,061	\$ -	\$ 12,870	\$ 1,639	\$ (2,277)	\$ 154,275
33,719	-	1,504	201	(10)	32,004
192,187	-	8,329	1,024	(9)	182,825
77,458	-	4,701	552	(9)	72,196
80,169	-	4,162	512	(5)	75,490
83,119	-	4,342	660	(301)	77,816
95,939	-	2,303	343	(5,093)	88,200
150,569	-	33,609	5,010	5,943	117,893
204,967	-	(12,199)	(1,669)	(77,415)	141,420
514,020	-	125,419	15,610	(189,049)	183,942
-	76,974,989	67,954,576	8,654,518	55,360	421,255
<u>\$ 1,603,208</u>	<u>\$ 76,974,989</u>	<u>\$ 68,139,616</u>	<u>\$ 8,678,400</u>	<u>\$ (212,865)</u>	<u>\$ 1,547,316</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -





## COMPLIANCE SECTION



## INDEPENDENT AUDITOR'S REPORT

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

Board of Trustees  
Alamo Heights Independent School District  
7101 Broadway  
San Antonio, TX 78209

We have audited, 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, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Alamo Heights Independent School District as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise Alamo Heights Independent School District's basic financial statements, and have issued our report thereon dated November 13, 2017. Our report includes a reference to other auditors who audited the financial statements of the Alamo Heights School Foundation, as described in our report on Alamo Heights Independent School District's financial statements. The financial statements of Alamo Heights School Foundation were not audited in accordance with *Government Auditing Standards*.

#### ***Internal Control over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Respectfully submitted,

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

November 13, 2017



## INDEPENDENT AUDITOR'S REPORT

### REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Board of Trustees  
Alamo Heights Independent School District  
7101 Broadway  
San Antonio, TX 78209

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

We have audited Alamo Heights Independent School District's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017. Alamo Heights Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

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

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, Alamo Heights Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

### **Report on Internal Control over Compliance**

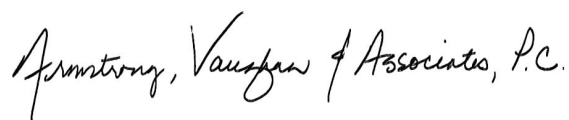
The management of Alamo Heights Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Alamo Heights Independent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

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

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

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

Respectfully submitted,



Armstrong, Vaughan & Associates, P.C.

November 13, 2017

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2017

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Any material weaknesses identified?        Yes   X   No

Any significant deficiencies identified?        Yes   X   No

Noncompliance material to financial  
Statements noted?        Yes   X   No

2. Federal Awards

Internal control over major programs:

Any material weaknesses identified?        Yes   X   No

Any significant deficiencies identified?        Yes   X   No

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

Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR 200.516(a)?        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555, 10.553	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?   X   Yes        No

B. Financial Statement Findings  
NONE

C. Federal Award Findings and Questioned Costs  
NONE

D. Prior Audit Findings  
NONE

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed Through Education Service Center Region 20:</i>			
Head Start	93.600	205-673-8-02	\$ 75,936
<i>Passed Through Texas Department of Health and Human Services:</i>			
Medicaid Administrative Claims	93.778	529-12-0041-00008	2,862
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>78,798</u>
<b>U.S. GENERAL SERVICES ADMINISTRATION</b>			
<i>Passed Through Texas Facilities Commission</i>			
Donation of Federal Surplus Personal Property	39.003	10080	389
<b>TOTAL U.S. GENERAL SERVICES ADMINISTRATION</b>			<u>389</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Texas Education Agency</i>			
Title I Part A - Improving Basic Programs	84.010a	17610101015901	326,126
IDEA-B Formula*	84.027A	176600010159016600	1,038,252
IDEA-B Preschool*	84.173A	176610010159016610	18,525
IDEA-B High Cost*	84.027A	176600060159016680	43,390
Carl Perkins - Basic Grant	84.048A	17420006015901	37,209
Title II Part A - Teacher & Principal Training & Recruiting	84.367A	17694501015901	139,741
Title III Part A - English Language Acquisition and Enhancement	84.365A	17671001015901	27,700
Summer School LEP	84.369A	69551602	3,495
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>1,634,438</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
ROTC	12.000	015-901	72,100
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			<u>72,100</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Texas Education Agency:</i>			
National School Lunch*	10.555	71301701	417,038
School Breakfast Program*	10.553	71401701	110,714
<i>Passed Through Texas Department of Agriculture:</i>			
Commodities (Non-cash Assistance)*#	10.555	015-901	116,636
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>644,388</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 2,430,113</u>
*Indicates clustered program under OMB Compliance Supplement			
#Indicates non-cash assistance			
<b>CLUSTER TOTALS</b>			
IDEA-B			1,100,167
Child Nutrition			644,388

ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special revenue funds are used to account for resources restricted, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial measurement focus. All Federal grant funds were accounted for in the General Fund or Special Revenue Fund, which are Governmental Fund types. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenue in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

3. According to AAG-SLG Appendix D, Questions and Answers, most Medicaid arrangements between states and providers (SHARS) are contracts for services and not Federal assistance; they should not appear on the Schedule of Expenditures of Federal Awards.
4. The District has not elected to use the 10% de minimis indirect cost rate as allowed by Uniform Guidance.
5. Reconciliation of the Schedule of Expenditures of Federal Awards to Exhibit C-2 is as follows:

Federal Program Revenues and Expenditures:

General Fund	\$ 949,273
Special Revenue Fund	<u>2,354,763</u>
	<u>3,304,036</u>
Less SHARS	<u>(873,923)</u>
Total per Schedule of Expenditures of Federal Awards (See Exhibit K-1)	<u><u>\$ 2,430,113</u></u>



ALAMO HEIGHTS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2017

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$10,588,028
SF13	Pension Expense (6147) at fiscal year-end.	\$ -

